A6025-1

1990

Mutual Fund Fact Book

Income Funds
Growth Funds
Balanced Funds
Ginnie Mae Funds
International Funds
Municipal Bond Funds
Corporate Bond Funds
Flexible Portfolio Funds
Aggressive Growth Funds
Growth and Income Funds
Money Market Mutual Funds

Industry Trends and Statistics for 1989

$9.95

INVESTMENT COMPANY INSTITUTE

30th Edition
© Copyright 1990 by the Investment Company Institute

ISBN 1-878731-00-9

Table of Contents

How to Use This Book 1
1989: Expanding the Asset Base 2
A Decade of Aggressive Growth 8
What Is a Mutual Fund? 14
Historical Background 19
Growth and Development 21
Responding to Investor Needs 28
Professional Management 31
How Mutual Fund Shares Are Acquired by Investors 37
Regulation and Taxation 41
Recent Trends in Activity:
    Stock, Bond, and Income Funds 43
    Money Market and Short-term Municipal Bond Funds 47
The Retirement Market 51
Institutional Markets 58
Mutual Funds: A Global Perspective 60
Mutual Fund Ownership 64
Marketing to the Needs of Shareholders 68
Glossary of Mutual Fund Terms 71
Data 75
Index 123
More Information on Mutual Funds 139

How to Use This Book

The *1990 Mutual Fund Fact Book* is a basic guide to the trends and statistics that were observed and recorded during the year of 1989.

Text and Data. The Fact Book is divided into two main sections—text and data. A glossary appears at the end of the text section.

The first part of the book—text—covers the general history and development of the industry, key benefits and features of mutual funds, and 1989 trends in mutual funds. Charts, graphs, and tables illustrating sales, assets, redemptions, exchanges, and other trends help you compare 1989 to prior years. To locate specific charts, graphs, and tables in this part of the book, refer to the index on page 123.

The data section (the **purple** pages) begins with its own table of contents to help you find specific information quickly. Each data table in this section is clearly labeled by classification, for example, Industry Totals, Long-term Funds, Short-term Funds, etc. If you cannot find the data you need in the data table of contents, please refer to the index on page 123.

Data Classification. As you use the Fact Book, keep in mind that the industry usually divides its statistics into two broad categories: long-term funds (stock, bond, and income funds) and short-term funds (money market and short-term municipal bond funds). To obtain the total industry picture, refer to the notes that may appear at the bottom of the tables in both the text and data sections (the **purple** pages). For example, in the Long-term Funds section, a note at the bottom of the page will refer you to comparable short-term data or total industry data.

The data section containing total industry statistics includes information on shareholder accounts, assets, and number of funds. (This section does not provide total sales figures that combine long-term and short-term fund sales. Due to the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds. Tracking periodic changes in total assets is usually the preferred method of following trends of short-term funds.)

This year, industry totals are further broken down from the two broad categories into four separate ones: equity funds, bond and income funds, money market funds, and short-term municipal bond funds. This breakdown should give you a more detailed picture of industry activity.

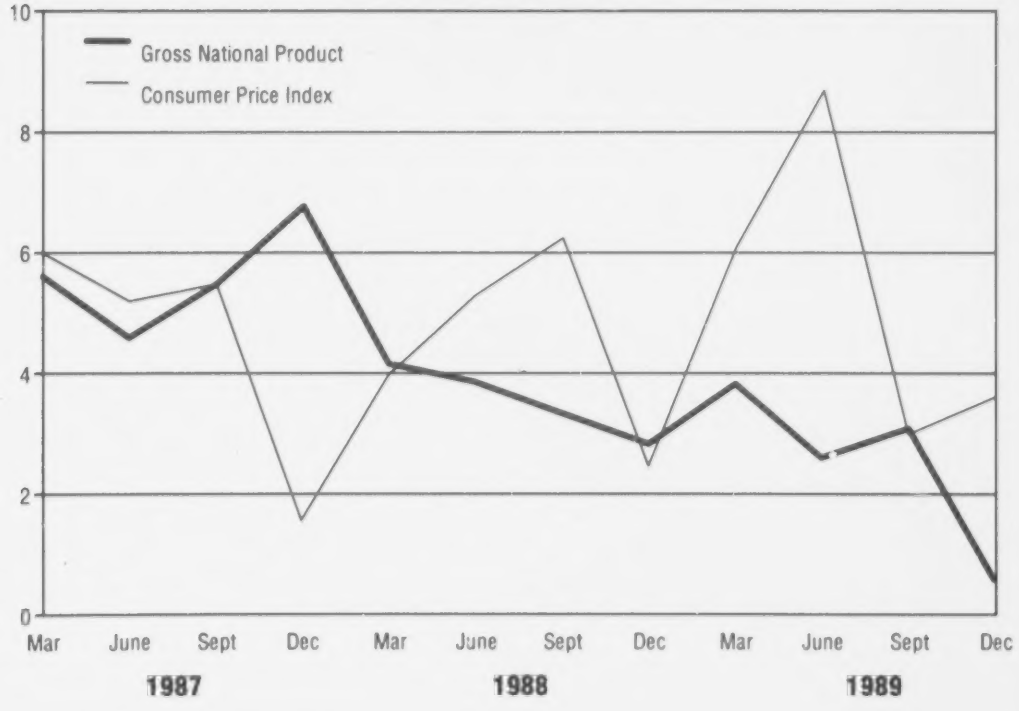
In 1988, the Institute added seven new investment objective categories: global equity, income-equity, flexible portfolio, income-bond, global bond, high-yield bond, and short-term state municipal bond. This brings to 22 the total number of categories. Data collected prior to 1988 were recalculated and are reflected in these investment objectives.

1989: Expanding the Asset Base

The economy and financial markets in 1989 turned out to be very good to the tens of millions of mutual fund shareholders and to the mutual fund industry. Total returns on bond and income and, especially, on equity fund holdings were exceedingly attractive and stimulated investors to pour dollars into long-term funds. There was an even more rapid build-up of assets in short-term funds. As a result, last year's growth of total mutual fund assets from $810.3 billion at yearend 1988 to $982.0 billion at yearend 1989 was the second largest annual increase on record, exceeded only in 1986.

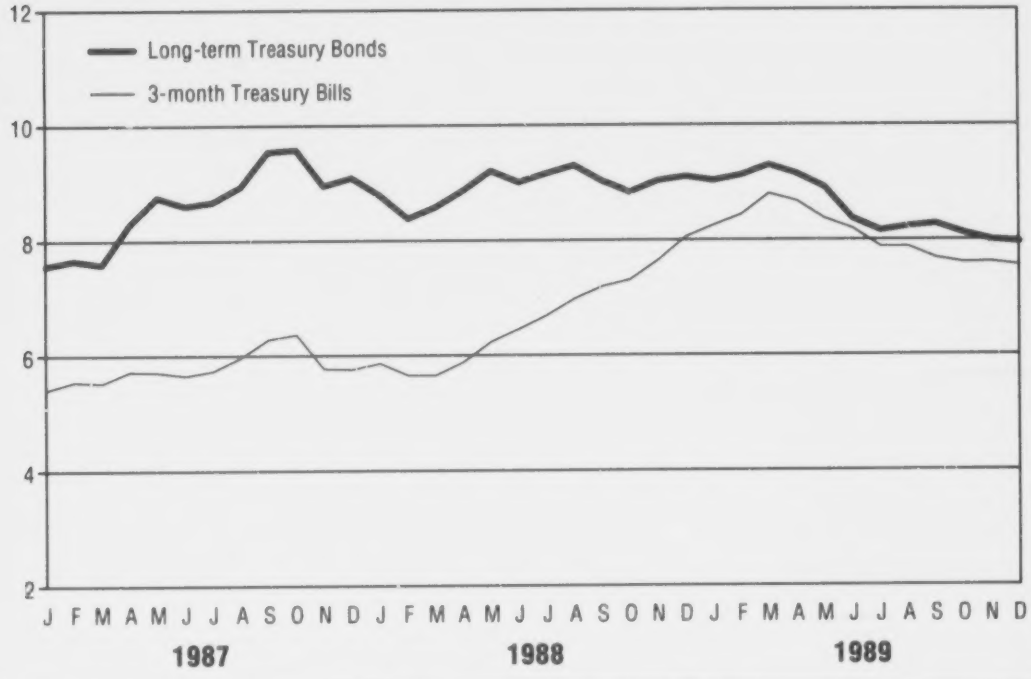
The economy continued to expand for the seventh year in a row. However, the Federal Reserve (the Fed) responded to intensifying inflationary pressures and rising fears that the economy was overheating by implementing a restrictive credit policy in mid-1988, which it continued through the spring of 1989. The policy effectively slowed the economy's growth and reduced inflationary pressures.

Annualized Rate of Change
GNP vs. CPI



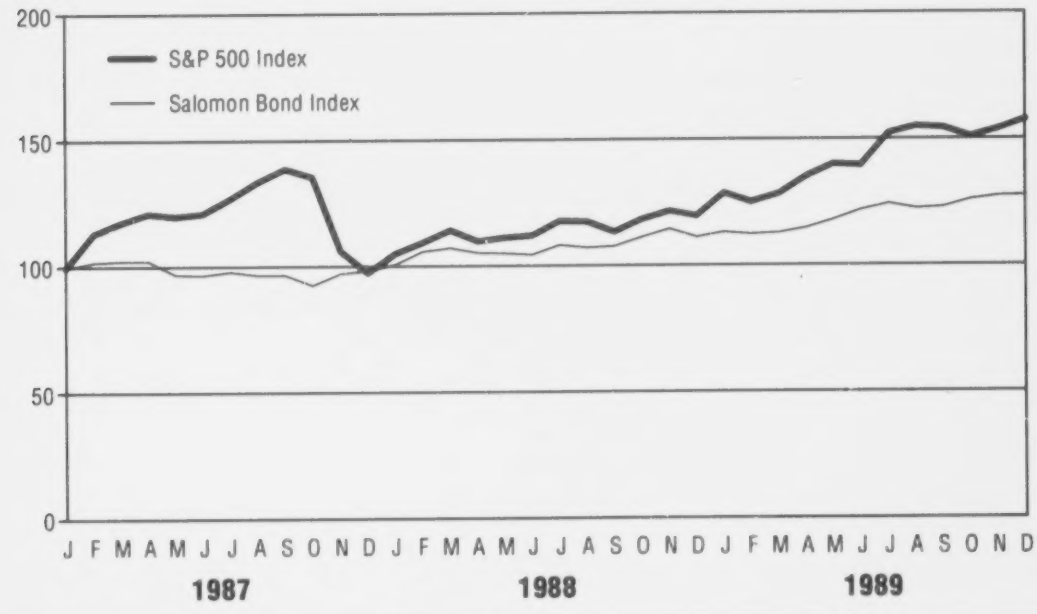
Interest Rates

(percentages)



Stock and Bond Prices

Index



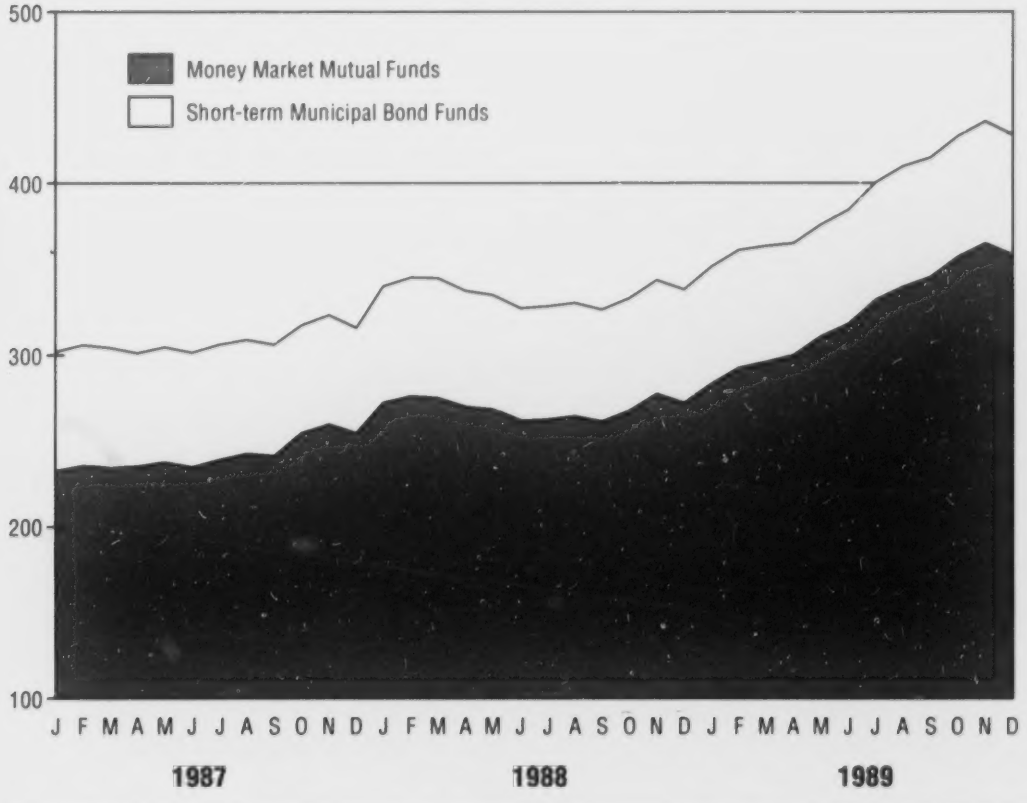
The rate of consumer price inflation peaked early in 1989 and then gradually decreased to a less threatening, but still relatively high, level. The Fed's policy did result in a marked deceleration in the growth rate of real GNP between 1988 and 1989, from about 3.5 percent in 1988 to 2.5 percent in 1989 on a fourth to fourth quarter basis. By the fourth quarter of 1989, the economy slowed to a crawl.

The behavior of interest rates also largely reflected changes in monetary policy. The tightening of credit by the Fed caused a sustained rise in short-term interest rates which started late in the spring of 1988 and continued well into 1989. Long-term rates also rose, but not nearly to the same extent. Thus, for much of 1989, short-term interest rates rivaled long-term interest rates and on some occasions even surpassed them.

By early spring of 1989, the economy showed signs of cooling off and the Fed allowed short-term interest rates to begin drifting down. Bond prices started moving up sharply and continued their climb through December. Stock prices, which were fairly resilient even during the period of credit tightness early in the year, rose in response to easier credit conditions. In October 1989, stock prices had beaten their previous peak reached in August 1987. Despite the minicrash of October 13 and a few other substantial daily drops in stock market prices, at yearend 1989 stock prices stood within a whisker of their all-time highs.

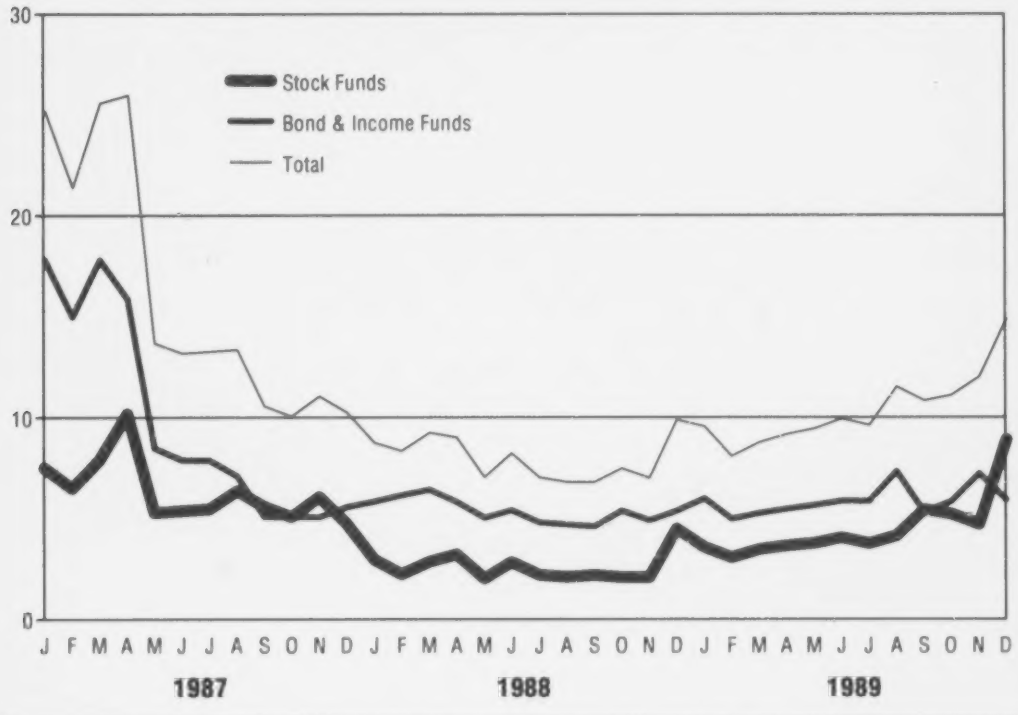
Total Net Assets of Short-term Funds

(billions of dollars)


500
400
300
200
100
Money Market Mutual Funds
Short-term Municipal Bond Funds
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1987
1988
1989

Mutual Fund Sales

(billions of dollars)



The movements in prices of financial assets had a visible, and at times, a dramatic, impact on mutual fund activity in terms of sales, net inflows, and asset growth.

Perhaps the most spectacular development in 1989 was the rapid growth in money market fund assets, which was aided by an exceptionally large volume of maturing medium-term CDs and by continuing outflows of deposits from savings institutions into other financial intermediaries. However, the main reason for the growth in money market fund assets was a very favorable relation between yields offered by money market funds and returns available elsewhere.

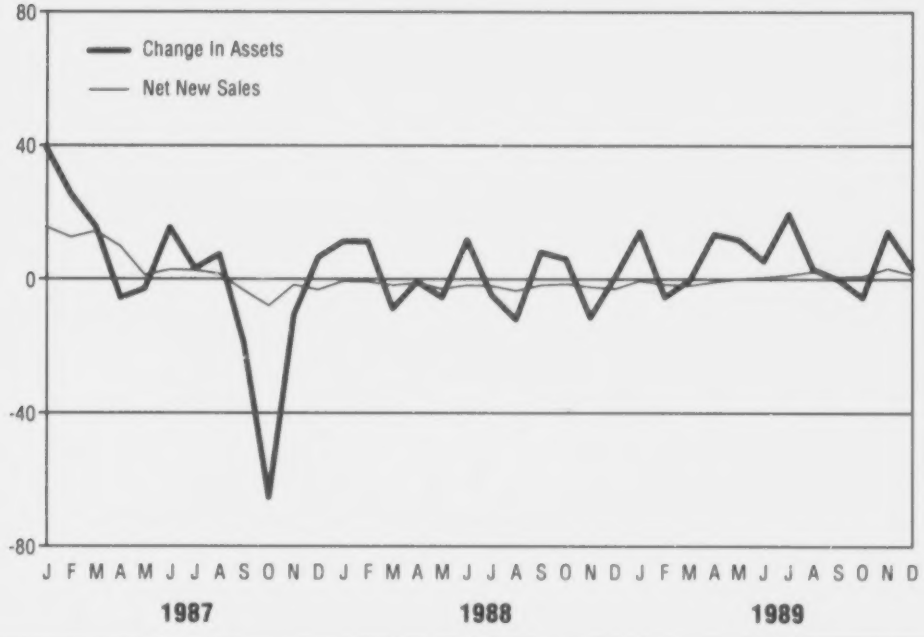
Throughout most of the year, yields on money market funds were more than two percentage points higher than yields on money market deposit accounts offered by banks and thrifts. In early May, this yield differential widened to an unheard of three percentage points. Money market fund yields were also very favorable compared to returns on bonds, especially those with distant maturities. Both individual and institutional investors found such high yields irresistible and in one year boosted money market fund assets from $272.3 billion to $358.7 billion.

Assets of short-term municipal bond funds also rose, but not nearly as much as assets of taxable short-term funds. At the end of 1989, combined assets of taxable and tax-exempt short-term funds reached $428.1 billion and constituted 43.6 percent of all assets managed by the mutual fund industry.

While new money inflow was the principal source of short-term fund asset growth, asset appreciation was

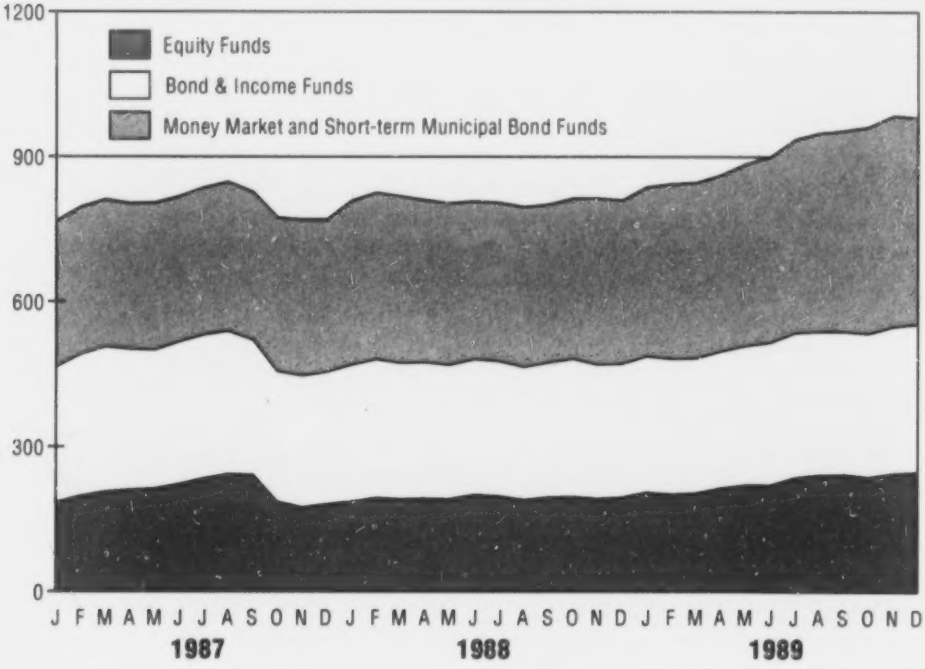
Change in Assets and Net New Sales of Long-term Mutual Funds

(billions of dollars)



Mutual Fund Total Net Assets

(billions of dollars)


1200
900
600
300
0
Equity Funds
Bond & Income Funds
Money Market and Short-term Municipal Bond Funds
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1987
1988
1989

the reason for growth in long-term, and especially, in equity funds. Until the middle of the year, total sales of long-term funds were not much above their depressed level of 1988. In fact, for the first half of the year net new sales of long-term funds were actually negative. In the second half of the year, however, sales picked up briskly, while the level of monthly redemptions remained moderate. Net new sales rose to a monthly average in excess of $2 billion.

For the year as a whole, sales of long-term funds rose by over 30 percent of their 1988 level, and in pleasant contrast to 1988, when net new sales were negative by almost $15 billion, net new sales in 1989 reached $13.5 billion.

The rebound in sales notwithstanding, the bulk of the increase in assets of long-term funds came from appreciation of portfolios. Total assets of long-term funds rose last year by $81.6 billion, $54.3 billion of which was in equity funds and $27.3 billion in bond and income funds. Net inflows accounted for only 16.5 percent of this increase and, furthermore, some of it was offset by net exchanges out of long-term funds. Almost nine tenths of the increase in long-term fund assets in 1989 can be attributed to the rise in stock and bond prices and to reinvested dividends.

By the end of last year, the rise in both short-term and long-term assets brought total industry assets close to the trillion dollar mark. This mark was reached for the first time in mid-January 1990.

The economy in the beginning of 1990 remains sluggish, but the likelihood of slipping into recession is considered small. Inflationary fears felt a year ago have been largely defused. The prospects for 1990 are of sustained, though subdued, growth, and of further easing of inflationary pressures. Interest rates remain relatively stable and are widely expected to start drifting down as economic sluggishness persists and inflation is kept in check. The robust growth that mutual funds experienced in 1989 may not be replicated in 1990, but the overall economic and financial environment remains conducive to continuing expansion of mutual fund assets.

Mutual Funds Net New Money Flow Related to Net New Money Flow from Individuals to Savings and Investment Vehicles

(billions of dollars)

Year	Net New Money to Savings and Investment Vehicles[1]	Net New Money to Mutual Funds[2]	Mutual Funds Net New Money as a Percent of Total
1960	$32.5	$1.3	4.0%
1965	59.0	2.4	4.1
1970	78.8	1.6	2.0
1975	174.4	0.5	0.3
1980	326.3	31.4	9.6
1981	353.2	109.6	31.0
1982	402.3	37.6	9.3
1983	502.6	(18.2)	—
1984	540.8	73.0	13.5
1985	568.0R	88.9	15.6
1986	561.2R	190.0	33.9
1987	512.1R	72.8	14.2
1988	569.2R	10.1	1.8
1989	574.7R	117.9	20.5

[1]From the "FRB Study of the Volume and Composition of Individuals' Savings" as reported in the Statistical Bulletins. Seasonally adjusted annual rates of individuals' savings.

[2]Investment Company Institute reporting companies, including money market funds.

R—Revised

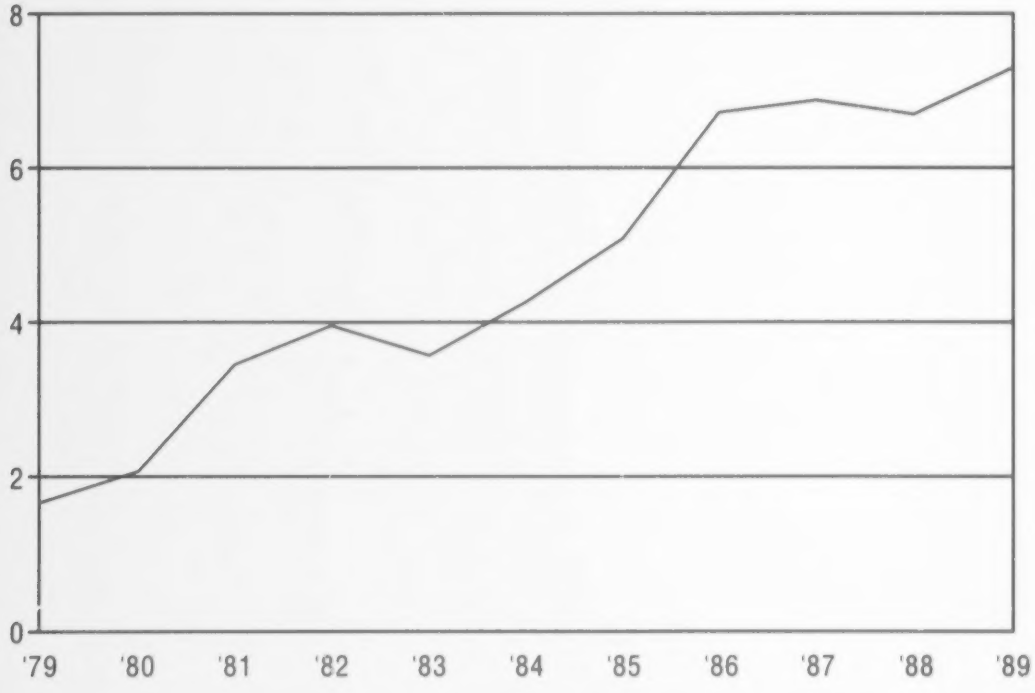
A Decade of Aggressive Growth

Historians and investors in future years may look back on the 1980s as the golden age for mutual funds and other financial assets. The changing economic and financial environments engendered a favorable climate for extended aggressive growth in the mutual fund industry. As funds consistently outperformed other financial assets, more and more investors put increasing proportions of their household financial assets into these vehicles. As a result, mutual fund companies increased in size, stature, and maturity, emerging from the decade as the third largest financial intermediary in terms of assets. Investors who rode that wave of growth were well rewarded.

The decade was particularly bright when contrasted with the 1970s. Total assets of stock and bond funds at the

Growth in Mutual Funds as a Percent of Household Financial Assets (1979-1989)

(percentages)



end of that decade were almost exactly the same level as at the beginning of the decade. Money market mutual funds, which were only introduced in the early 1970s, accounted for almost half the assets in mutual fund portfolios at the end of the 1970s, owing to inflation-induced high interest rates.

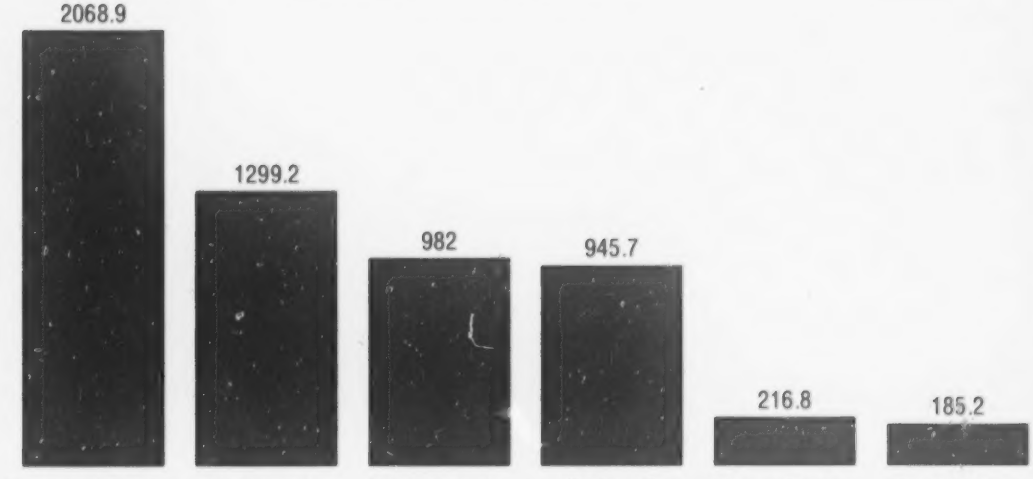
The 1980s began with rising interest rates, foreshadowing a period of high bond yields, depressed stock prices, and a slowdown in the economy. The economy's slide into a recession was inevitable. With Regulation Q limiting rates paid on bank deposits still in effect, assets of money market funds continued to surge. In 1981 alone they rose by almost 150 percent, and by the end of that year, they accounted for over three quarters of total mutual fund assets. At the same time, however, assets of bond funds languished and assets of equity funds were shrinking.

In the summer of 1982, near the bottom of the recession, the Federal Reserve relaxed its grip on credit. Interest rates came tumbling down, setting the stage for a long economic expansion and a multiyear rally in the stock and bond markets. The boom in mutual fund investing soon began.

Investors made cautious by the experiences of the 1970s were at first reluctant to invest in long-term funds. Most new money coming in was placed in money market funds, whose share of total mutual fund assets at the end of 1982 still stood at around 75 percent. Then, in 1983, banking regulations were relaxed and banks were allowed to offer money market deposit accounts. Money market mutual

Total Deposits and Assets of Largest Financial Intermediaries

(billions of dollars)



*12/89 assets of Life Insurance Companies are estimated.

funds, after having been on a sharp uptrend for the previous six years, lost over 21 percent of their assets in 1983.

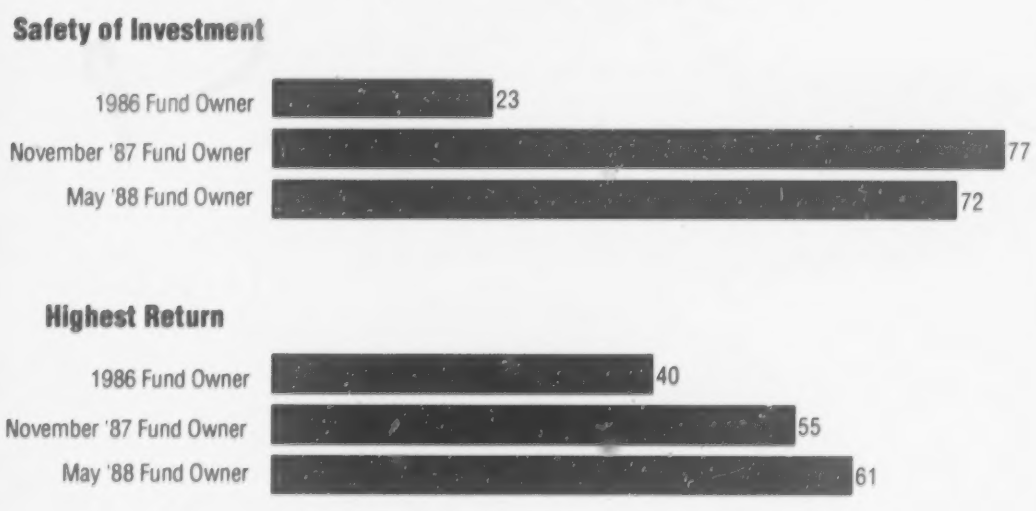
As assets of money market funds were shrinking, assets of long-term funds were expanding at a brisk pace. The robust postrecession recovery kept the stock market bouyant, and the appreciating dollar helped keep inflation on a downward path. Portfolios of long-term funds kept appreciating, reflecting favorable performance in both stock and bond markets, and contributing to asset growth. Net sales of these funds were also rising rapidly. Starting from a negative number in 1979, net sales proceeded on an upward trend and exceeded $25 billion by 1983, thus becoming the primary source of asset growth. That trend continued throughout the decade as mutual funds accumulated over $713 billion in net sales and $175 billion in capital appreciation during the ten-year period.

Expanding real incomes and rising confidence were a major reason for the jump in money inflows into long-term funds. Other economic policy initiatives played an important role as well. President Reagan's promise of lower marginal tax rates became a reality in 1983 and 1984. The enactment of the universal IRA in 1981 for the purpose of boosting the nation's low rate of personal savings was instrumental in attracting many new investors to mutual funds as a vehicle of choice for retirement savings. Since 1982, the number of IRA accounts in funds grew from 500,000 to over 17 million in 1989.

In 1984, a reflow of assets into money market funds more than made up for the previous year's losses. Money also continued to flow into short-term municipal bond funds (also known as tax-exempt money market funds) and into long-term funds. By the middle of the decade, total assets of mutual funds stood at $366 billion—

Fund Owners' Attitudes Toward Risk and Return Under Different Market Conditions (1986-1988)*

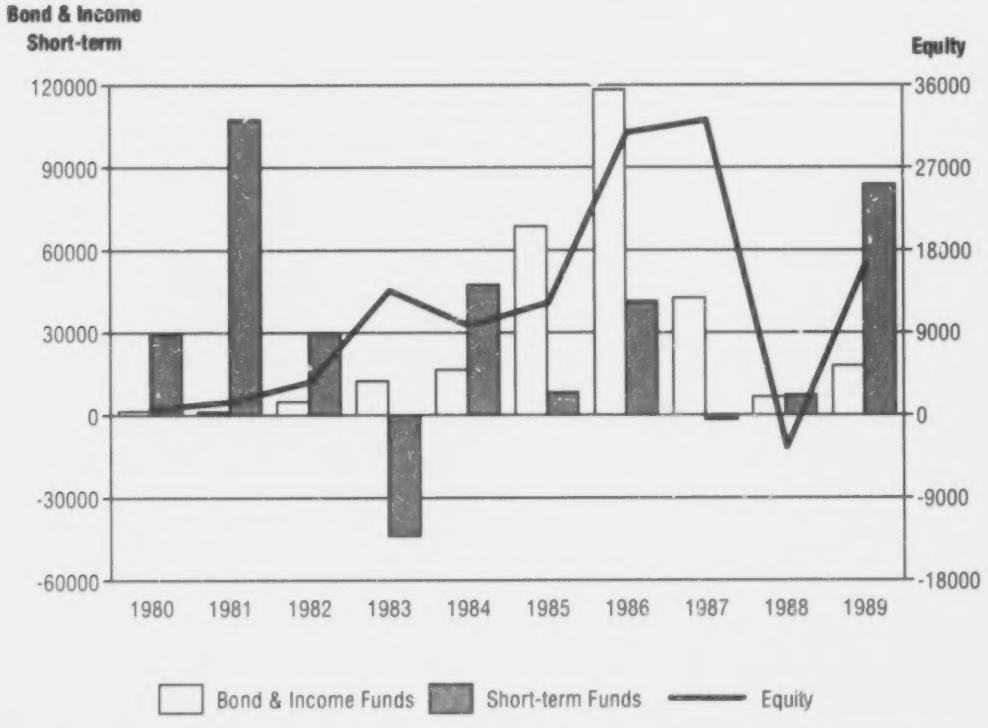
(level of importance measured in percent)



*Surveys were not related; comparisons made for emphasis only.

Net Sales of Equity, Bond & Income, and Short-term Funds (1980-1989)

(millions of dollars)



4 times greater than at the start of the decade and ten times greater than their level ten years earlier. But the most explosive phase of growth was yet to come.

The booming economy—with the attendant high demand for capital and the fear of inflation—kept bond yields high. In addition, by the mid-1980s large daily swings in stock market prices, an unusual occurrence in previous years, became commonplace. Risk-averse investors flocked to bond funds. Mutual fund managers responded to the rapidly rising demand for debt instruments by creating an impressive array of products combining various risk/return characteristics among both taxable and tax-exempt bond funds of all maturities. Assets of bond funds exploded. In 1985 their assets increased by 150 percent to surpass total assets of equity funds for the first time. In 1986, net sales of bond funds almost tripled, and their assets doubled again, this time surpassing total assets of money market funds as well.

Compared to the explosion of bond fund assets in the mid-1980s, growth in equity fund assets appeared subdued. But 1985 and 1986 were excellent years for equity funds as well. The continuing rally in the stock market led to portfolio appreciation and rapidly rising sales. Over these two years, assets of equity funds doubled, bringing their assets to $160 billion, or five times the level at the beginning of the decade.

As the economic environment changed rapidly, so did the preferen-

ces of investors. In response, the mutual fund industry began to expand its product lines and services to meet any number of investment objectives and investor goals. According to research conducted in 1986 (see the graph on Fund Owners' Attitudes on page 10,) most investors were more interested in investment return than safety. New products were introduced constantly to satisfy these demands, some with lasting, and others, temporary, success. Close to 2,400 new funds and thirteen new fund categories were added over the decade. Such products as international or global stock or bond funds, option/income funds, Ginnie Maes, government income funds, foreign currency funds, index funds, and variable annuities were rare or unheard of in the 1970s.

At the beginning of 1987, mutual fund assets were twice what they had been just two years before, and the economic and investment climate could not have been better. Unfortunately, the stock market became overvalued and extremely vulnerable to events that, under normal circumstances, financial markets take in stride. The first report of rising inflation in the spring of 1987 caused a jump in bond yields and a steep slide in net sales of bond funds. Stock prices became increasingly volatile, discouraging new money although rising stock prices pushed assets of equity funds to record levels.

In the summer of 1987, total assets of mutual funds reached about $850 billion, twice the level attained just two years earlier. Then came the frightful day of October 19, when the bubble burst. A precipitous tumble in world stock markets caused stocks to lose approximately one third of their value before recovering. Although assets of mutual funds lost value during the crash, and redemptions of long-term funds peaked that year at $116 billion, total assets ended the year with an 8 percent increase from the previous year.

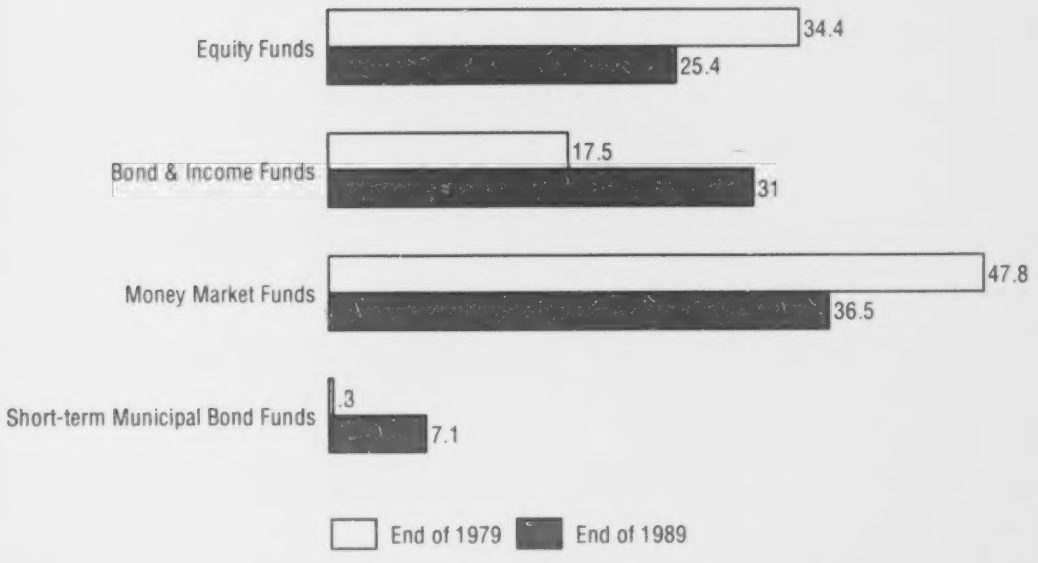
For the mutual fund industry, more important than the immediate decline in assets under management was the traumatic effect the crash had on its customers. It took a long time for the individual investor to recover from this trauma. Since two thirds of assets are held by individual investors, industry sales suffered. Net sales of equity funds in 1988 were negative for the first time since 1979. (See chart on page 11.) However, risk-sensitive investors put money into short-term funds or took advantage of the exchange privilege to move from funds perceived to be risky to those considered less volatile, and total assets again rose for the year by a modest 5 percent.

The healthy performance of the economy following the crash helped financial markets recover fully. Following a year of continued economic growth in 1989, assets of mutual funds at one point reached $1 trillion during January of 1990 before retreating to 1989 end-of-year levels.

Cumulative growth in total assets for the decade achieved a spectacular 939 percent from $94.5 billion to $982 billion. Over the decade the number of households investing in mutual funds increased more than 400 percent, to 22.8 million households. Shareholder accounts, both individual and institutional, multiplied three and one half times to 54.7 million in 1989. A redistribution of assets over the ten-year period occurred so that bond funds replaced equity funds as the predominant long-term investment choice. Fixed income funds were also the growth leader in terms of percentage change in number of accounts during the decade, but money market and equity funds each added over 15 million accounts in the same period.

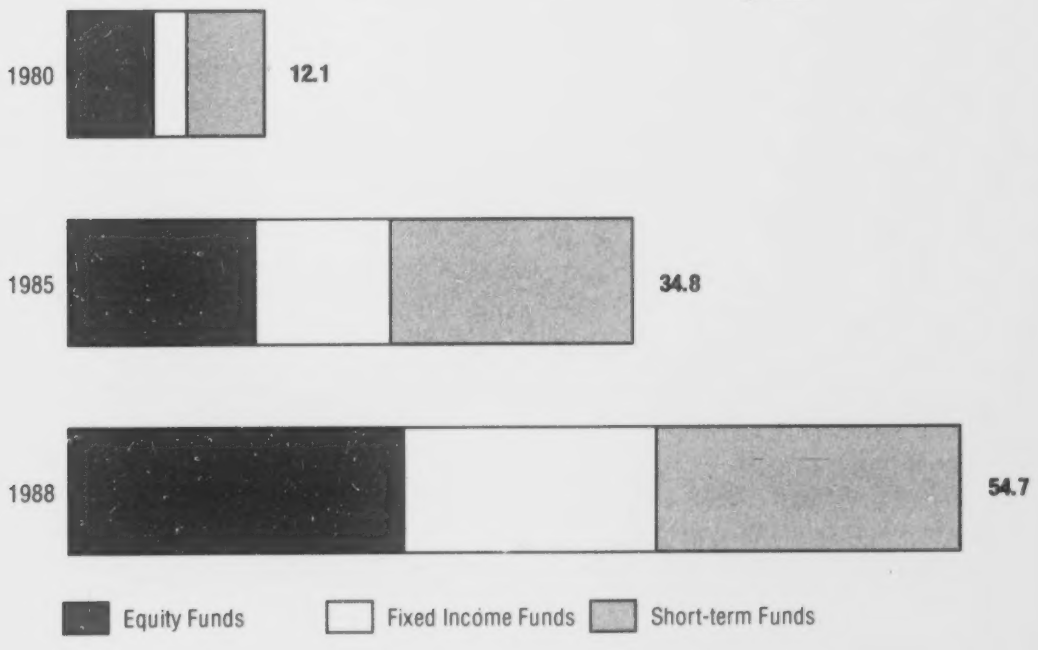
Distribution of Mutual Fund Assets at Yearend 1979 and 1989

(percentages)



Growth of Accounts in All Fund Types (1980-1988)

(millions)



What Is a Mutual Fund?

The Basics

A mutual fund is a company that makes investments on behalf of individuals and institutions with similar financial goals.

Pooling is the key to mutual fund investing. By pooling the financial resources of thousands of shareholders—each with a different amount to invest—investors gain access to the expertise of the country's top money managers, wide diversification of ownership in the securities markets, and a variety of services otherwise available only to institutions and wealthy families and individuals. The total number of shares outstanding changes from day to day as the mutual fund issues new shares when more money is invested in it and as the fund redeems, or buys back, shares from investors.

Professional money managers take this pool of money and invest it in a variety of stocks, bonds, or other securities selected from a broad range of industries and government agencies and authorities. In effect, each mutual fund investor then owns a percentage of the portfolio developed by the fund's money managers.

The money managers select securities that best meet their fund's investment objective, as explained in the fund's prospectus. Investment objectives are usually described in terms of one or more main goals. These may include stability—protecting the principal (initial amount invested) from loss; growth—increasing the value of the principal; and income—generating a continuous flow of income through dividends.

The investment objective set forth by the fund is important to both the manager and the investor. The fund manager uses it as a guide when choosing investments for the fund's portfolio. Investors use it to determine which funds are suitable for their needs. Mutual funds' investment objectives cover a wide range, from higher risk in the search for higher returns to immediate income from more stable investments. The Investment Company Institute classifies mutual funds into 22 major categories of investment objectives. (For a definition of each, see pages 17-18.)

To achieve these objectives, fund managers may invest in as many as 50 to 200 or more different securities, seeking diversification among companies, industries, and other organizations and institutions in order to reduce investment risk. The object: to avoid putting all one's investment eggs in one basket.

Some funds may choose to diversify their investments within a specialized segment of the securities markets. For example, funds may invest in a particular industry, such as health care services, technology, energy, or utilities. Other funds may invest in particular segments of the economy, such as small businesses or real estate. Still other funds may develop portfolios of companies that meet certain social criteria.

Fund managers make the decisions on when to buy, when to sell, and

when to hold securities based on their extensive research. They consider the financial health of individual companies, taking into account general economic and market trends, and gather data from a variety of economic and statistical resources.

When the securities appreciate in value—or pay out dividends or interest—all the fund's investors reap their proportionate share. Investors who put $1,000 in the fund get the same rate of return or yield per share as those investing $100,000.

Mutual funds can make money for their shareholders in three ways. One, they pay shareholders dividends and interest earned from the fund's investments. Two, if a security held by a fund is sold at a profit, funds pay shareholders capital gains distributions. And three, if the value of the securities held by the fund increases, the value of each mutual fund share increases proportionately.

For example, if a fund's investment objective is current income, it will invest in stocks or bonds which product current dividends or interest. Then the fund passes through to its shareholders the dividends from those earnings.

Capital gains are realized when a fund sells a security for a higher price than it originally paid. The fund usually passes that gain through to its shareholders as a capital gains distribution. (If the gain is not passed along, investors profit from an increased value of their fund shares.)

Shareholders can have dividends and capital gains reinvested in additional shares of the fund or they can have the fund send them a check for the amount of earnings.

If the securities held in the fund's portfolio increase in value, but the fund holds on to those securities instead of selling them, this increases the value of the fund's total portfolio and thus the fund's price per share.

When investors pool their money in a mutual fund, their dollars buy shares in that fund. To determine the price of these shares, at the end of each business day the fund adds up the value of all securities held in its portfolio, after expenses, and divides the total by the number of shares outstanding. Unlike a traditional corporation, mutual funds can issue an unlimited number of shares. In addition, shareholders have the right to redeem part or all of their holdings at any time.

Each day, the fund must determine both the value of its portfolio and how many shares are outstanding. That simple calculation gives the fund its Net Asset Value or NAV. Because it represents the value of a single share in the fund, the NAV is important to know when the fund shareholder is either redeeming shares or purchasing new shares.

To determine the value of their holdings, individual fund shareholders simply multiply the number of shares they own by the NAV. Although the NAV may not seem to change much over time, dividend and capital gain reinvestments can contribute toward buying many more shares than originally purchased. So even if the price of each share does not change a great deal, owning many more of them represents an increase in the value of the shareholder's investment.

Under the Internal Revenue Code, mutual funds that observe certain guidelines serve as conduits through which the capital gains, dividends, interest, and other income flow through from the securities held in the fund's portfolio to the shareholders. Ordinarily, mutual funds pay no tax on this income. Instead, individual shareholders treat dividends and capital gains received from the fund exactly as they

would had they bought and sold the securities themselves without the fund serving as an intermediary.

For tax purposes, shareholders receive a yearend statement from the fund showing clearly what part of the money distributed to them represents ordinary income and what part represents long-term capital gains. (Even though dividends and long-term capital gains are taxed the same under the Tax Reform Act of 1986, the distinction between them is maintained since capital gains can still be offset by capital losses.) Shareholders also receive regular statements from the fund that not only show them how their investments are doing, but also report on the fund's progress, its portfolio holdings, expenses, changes in management, and other relevant data.

How a Fund Is Organized

A mutual fund is owned by its hundreds or thousands of shareholders. A board of directors elected by the shareholders is responsible for carrying out the fund's investment policies and objectives. The board is authorized to appoint officers to manage the daily operation of a fund or to delegate that function to a management company.

The management company, which is often the organization that created the fund, may offer anywhere from one to a dozen or more mutual funds, each with a different investment objective. It may also offer other financial products and services. (See the chapter entitled, "Responding to Investor Needs" for a description of some of these services.) The management company usually serves as the fund's investment adviser or money manager.

The investment adviser is usually paid for the services of managing the fund and selecting its portfolio through a fee based on the total value of assets managed. Such investment management fees average about one-half of one percent annually. Other fund operating expenses are usually in the same range, for a total of about one percent per year for all the fund's costs of operations.

In addition to the investment adviser, the fund may also contract with a custodian, a transfer agent, and a principal underwriter. The custodian is usually a bank and its functions include safeguarding the fund's assets, making payments for the fund's portfolio of securities, and receiving payments when securities are sold. The transfer agent performs the shareholder recordkeeping services. It will issue new shares, cancel redeemed shares, and distribute dividends and capital gains to shareholders. The principal underwriter arranges for the distribution of the fund's shares to the investing public.

How Funds Are Distributed

Fund shares are distributed to the public in a variety of ways. There are two basic avenues, however: funds that market their shares directly to the public and those that market their shares through a sales force. Funds that market shares directly often use advertising and direct mail to reach investors. Their shares are usually distributed with a low or no sales commission. In some cases, the fund's directors may authorize use of a small percentage of fund assets to support distribution efforts. This is known as a "12b-1 fee," named for the Securities and Exchange Commission rule that permits it.

Fund shares marketed through a sales force are available through brokers, financial planners, insurance agents, and, in some cases, through a sales force employed by a fund organization specifically to market the

shares of its associated funds. These sales people may be compensated for their services to the investor through a direct sales commission included in the price at which the fund's shares are offered, through a 12b-1 distribution fee paid by the fund, or in both ways. An underwriter may act either as a wholesaler, selling fund shares to securities dealers, or it may retail directly to the public.

All mutual fund activities are highly regulated. Mutual funds must register with the SEC pursuant to the Investment Company Act of 1940. The activities of mutual funds and their relationship with the public are regulated under this and other federal securities laws, as well as the securities laws of all the states where securities are sold. (See the "Regulation and Taxation" chapter.)

Types of Mutual Funds

Aggressive Growth Funds seek maximum capital gains as their investment objective. Current income is not a significant factor. Some may invest in stocks of businesses that are somewhat out of the mainstream, such as fledgling companies, new industries, companies fallen on hard times, or industries temporarily out of favor. Some may also use specialized investment techniques such as option writing or short-term trading.

Balanced Funds generally have a three-part investment objective: 1) to conserve the investors' initial principal, 2) to pay current income, and 3) to promote long-term growth of both this principal and income. Balanced funds have a portfolio mix of bonds, preferred stocks, and common stocks.

Corporate Bond Funds, like income funds, seek a high level of income. They do so by buying bonds of corporations for the majority of the fund's portfolio. The rest of the portfolio may be in U.S. Treasury bonds or bonds issued by a federal agency.

Flexible Portfolio Funds may be 100 percent invested in stocks OR bonds OR money market instruments, depending on market conditions. These funds give the money managers the greatest flexibility in anticipating or responding to economic changes.

GNMA or Ginnie Mae Funds invest in mortgage securities backed by the Government National Mortgage Association (GNMA). To qualify for this category, the majority of the portfolio must always be invested in mortgage-backed securities.

Global Bond Funds invest in the debt securities of companies and countries worldwide, including the U.S.

Global Equity Funds invest in securities traded worldwide, including the U.S. Compared to direct investments, global funds offer investors an easier avenue to investing abroad. The funds' professional money managers handle the trading and recordkeeping details and deal with differences in currencies, languages, time zones, laws and regulations, and business customs and practices. In addition to another layer of diversification, global funds add another layer of risk—exchange-rate risk.

Growth Funds invest in the common stock of well-established companies. Their primary aim is to produce an increase in the value of their investments (capital gains) rather than a flow of dividends. Investors who buy a growth fund are more interested in seeing the fund's share price rise than in receiving income from dividends.

(continued on next page)

Types of Mutual Funds *(continued)*

Growth and Income Funds invest mainly in the common stock of companies that have had increasing share value but also a solid record of paying dividends. This type of fund attempts to combine long-term capital growth with a steady stream of income.

High-yield Bond Funds maintain at least two-thirds of their portfolios in lower-rated corporate bonds (Baa or lower by Moody's rating service and BBB or lower by Standard and Poor's rating service). In return for a generally higher yield, investors must bear a greater degree of risk than for higher-rated bonds.

Income (Bond) Funds seek a high level of current income for their shareholders by investing at all times in a mix of corporate and government bonds.

Income (Equity) Funds seek a high level of current income for their shareholders by investing primarily in equity securities of companies with good dividend-paying records.

Income (Mixed) Funds seek a high level of current income for their shareholders by investing in income-producing securities, including both equities and debt instruments.

International Funds invest in equity securities of companies located outside the U.S. Two thirds of their portfolios must be so invested at all times to be categorized here.

Long-term Municipal Bond Funds invest in bonds issued by states and municipalities to finance schools, highways, hospitals, airports, bridges, water and sewer works, and other public projects. In most cases, income earned on these securities is not taxed by the federal government, but may be taxed under state and local laws. For some taxpayers, portions of income earned on these securities may be subject to the federal alternative minimum tax.

Money Market Mutual Funds invest in the short-term securities sold in the money market. These are generally the safest, most stable securities available, including Treasury bills, certificates of deposit of large banks, and commercial paper (the short-term IOUs of large U.S. corporations).

Option/Income Funds seek a higher current return by investing primarily in dividend-paying common stocks on which call options are traded on national securities exchanges. Current return generally consists of dividends, premiums from writing options, net short-term gains from sales of portfolio securities on exercises of options or otherwise, and any profits from closing purchase transactions.

Precious Metals/Gold Funds maintain two thirds of their portfolios invested in securities associated with gold, silver, and other precious metals.

Short-term Municipal Bond Funds invest in municipal securities with relatively short maturities. These are also known as tax-exempt money market funds. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

State Municipal Bond Funds—Long-term work just like other long-term municipal bond funds (see above) except their portfolios contain the issues of only one state. A resident of that state has the advantage of receiving income free of both federal and state tax. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

State Municipal Bond Funds—Short-term work just like other short-term municipal bond funds (see above) except their portfolios contain the issues of only one state. A resident of that state has the advantage of receiving income free of both federal and state tax. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

U.S. Government Income Funds invest in a variety of government securities. These include U.S. Treasury bonds, federally guaranteed mortgage-backed securities, and other government notes.

Historical Background

America's mutual fund industry has enjoyed enormous success since the first fund was organized in Boston in 1924.

That fund, and the profusion of funds to follow, were an outgrowth of a concept originating in nineteenth century England. Some years later, money invested in English and Scottish investment companies (or trusts, as they are known there) contributed to the financing of the American economy after the Civil War. Investors in these British companies financed U.S. farm mortgages, railroads, and other industries.

In the early 1920s, as twentieth century America began to mature, many types of financial institutions were formed, offering Americans more investment opportunities. Several companies, most of them located in New York, Boston, and Philadelphia, tried to meet those needs. Soon, these bankers, brokers, and investment counselors were joined by mutual funds.

Shortly after the first funds were organized, America witnessed the stock market crash of 1929. Despite setbacks, many of the efficiently managed investment companies maintained their pattern of growth and service, and the industry grew dramatically over the years.

In 1936, under a congressional mandate, the Securities and Exchange Commission (SEC) undertook a special study of investment companies which culminated in the Investment Company Act of 1940. Industry professionals who worked closely with the SEC to draft the 1940 act decided to form a permanent committee to cooperate with the SEC in formulating rules and regulations that would implement the new law. The committee would also stay informed of trends in state and federal legislation affecting mutual funds. This pioneering committee was called the National Committee of Investment Companies.

As their activities increased, the committee leadership decided in October 1941 to change the organization's name to the National Association of Investment Companies (NAIC). Based in New York, NAIC took on the responsibilities of public education, liaison with the SEC, and monitoring legislation affecting mutual funds, as well as exerting a strong influence to maintain high industry standards. NAIC changed its name to the Investment Company Institute (ICI) in 1961, and in 1970, the association moved to Washington, DC.

The industry ICI represents has undergone many changes since the 1940 legislation that gave it birth. At that time, there were only 68 mutual funds with $448 million in assets and 296,000 shareholder accounts. It was an industry primarily providing a way to invest in the stock market. Some funds invested in bonds, but these were not a significant force until many years later.

Progressing steadily, the industry reached $1 billion in assets in 1945 and one million accounts in 1951. By the early 1970s, the industry was com-

posed of nearly 400 funds with over $50 billion in assets.

A new concept signaled a dramatic industry change in the early 1970s—the money market mutual fund. This novel concept let the small investor participate in the high short-term interest rates of the money market that previously were available only to major institutions and the wealthy.

The idea cracked the mold in many respects. First, investors new to mutual funds gave money market funds a try. Some had never had their money in anything but 5¼ or 5½ percent passbook accounts. Many learned the value of the mutual fund concept and, in fact, 30 percent of all mutual fund investors say their first fund was a money market fund.

Second, the money market funds sparked a surge of creativity in the industry. What followed were municipal bond funds in 1976 (achieved in the enactment of the Tax Reform Act of 1976), option/income funds in 1977, government income and Ginnie Mae funds in the early 1980s, and specialty or sector funds throughout that period. At the end of 1989, there were more than 2,900 mutual funds with assets of more than $900 billion.

The industry continues to grow and prosper despite periods of market volatility, providing investment diversification and professional management to more than 30 million individual investors.

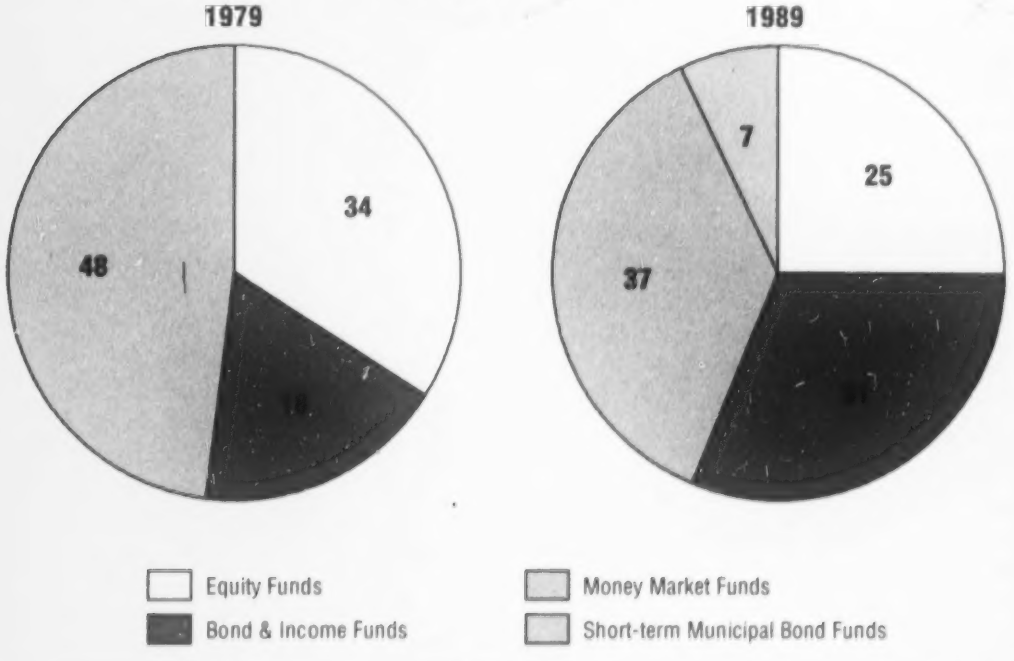
Growth and Development

The mutual fund industry is now a diversified financial industry able to respond to varied investment climates and investor needs. That was not always the case. In 1978, money market funds accounted for only 19.4 percent of mutual fund assets. At the same time, equity (stock) funds held 52.6 percent of the assets.

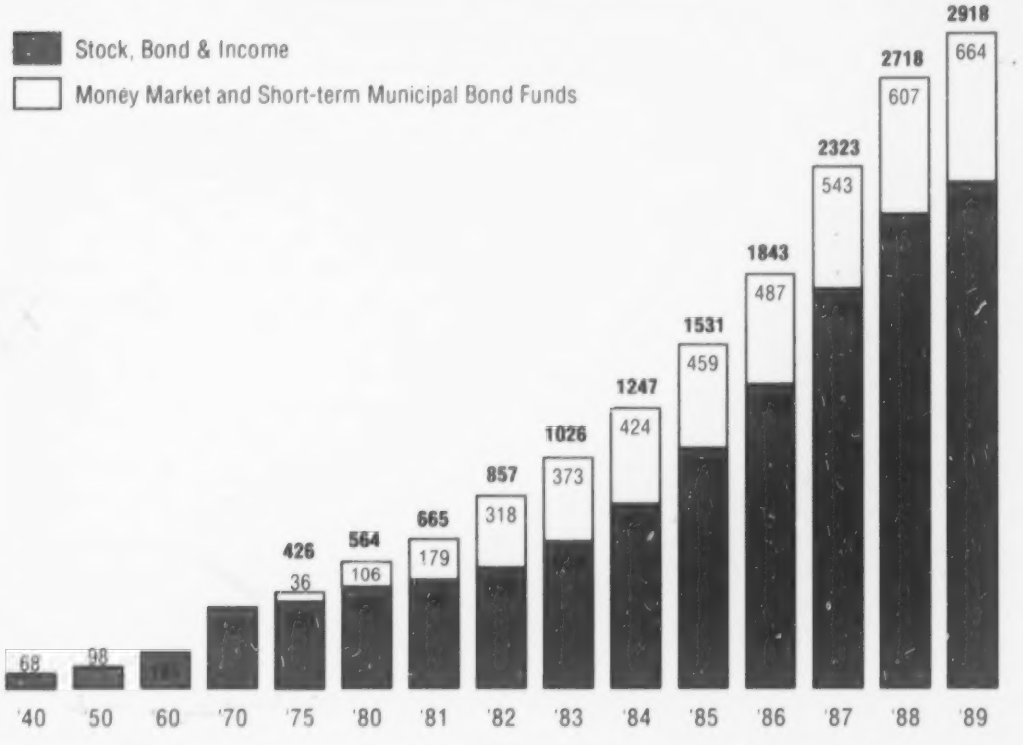
By 1979, that had changed. Money market funds (combined with their new tax-exempt version—short-term municipal bond funds) comprised 48.1 percent of all mutual fund assets. Equity funds represented 34.4 percent of assets and bond and income funds had only 17.5 percent. A decade later, in 1989, bond and income funds had a bigger share than equity funds: 31 percent versus 25.4 percent. Meanwhile, short-term funds (money market and short-term municipals) represented 43.6 percent of total assets at yearend 1989. This continued shifting of assets indicates widespread investor acceptance of the variety of mutual fund portfolios now offered by the industry.

Total assets have skyrocketed in these past ten years. Money market fund assets jumped from $45.2 billion

Percent Distribution of Total Net Assets by Type of Fund



Number of Mutual Funds



in 1979 to $358.7 billion at the end of 1989—almost an eight-fold increase. Short-term municipal bond fund assets grew from less than $1.0 billion in 1979 to $69.4 billion by yearend 1989. Equity funds had assets of $32.5 billion in 1979 compared to $249.1 billion at the end of 1989. The bond and income fund category soared from $16.5 billion in 1979 to $304.8 billion at the end of 1989. Combined assets of all funds at the end of 1979 were $94.5 billion. On December 31, 1989, they were $982.0. billion.

The last decade has witnessed a shifting asset mix: from a near 50-50 percent split between long-term and short-term funds at the beginning of the 1980s, to approximately 40 percent long-term and 60 percent short-term in 1984, and then to 56.4 percent long-term and 43.6 percent short-term in 1989.

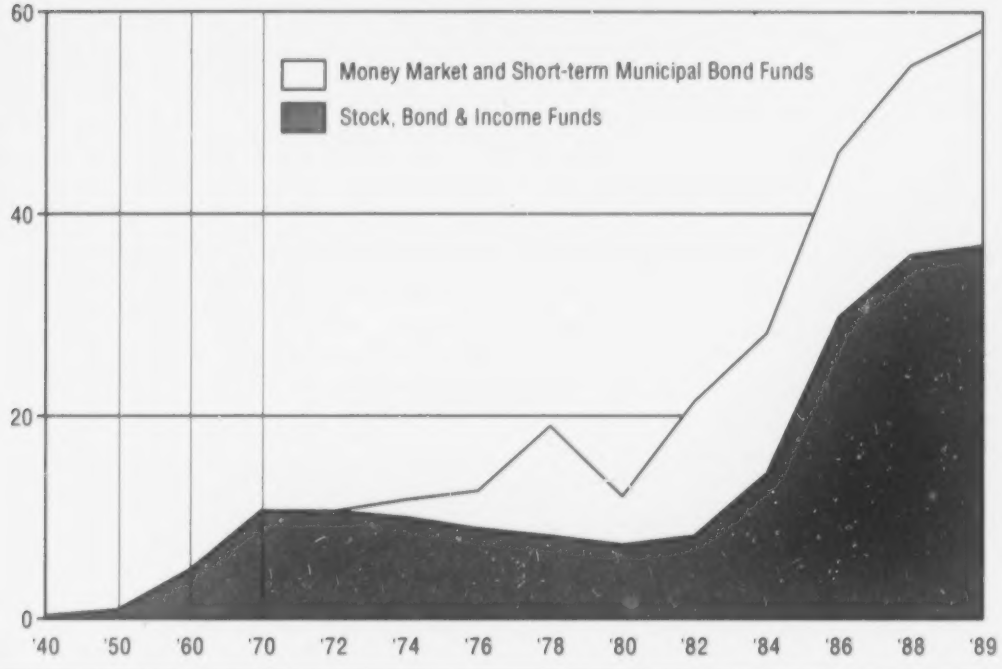
Number of Funds Increases Dramatically

A substantial change has taken place over the years in the number of funds available to investors. In just one decade, the number of funds has increased over 5 ½ times—from 524 funds in 1979 to 2,918 funds at the end of 1989. The increasing variety and number of funds exemplify the enormous growth that has occurred in the mutual fund industry.

In the 1950s and 1960s, the industry's historic concentration in equity funds was reflected in steep increases in sales and assets of these funds. This growth occurred in a period when stock prices were climbing steadily with only slight interrup-

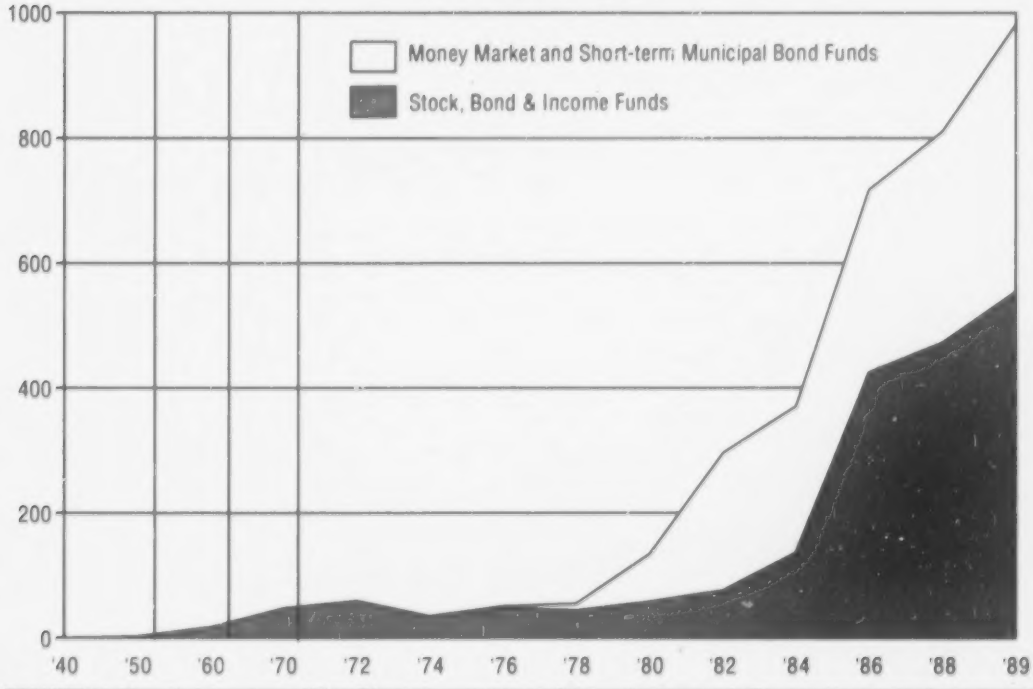
Mutual Fund Shareholder Accounts

(millions)



Assets of Mutual Funds

(billions of dollars)



Sales, Redemptions, and Assets

(billions of dollars)

Equity, Bond, and Income Funds

Year	Sales	Redemptions	Net Sales	Assets
1971	$5.1	$4.8	$0.3	$55.0
1972	4.9	6.6	(1.7)	59.8
1973	4.4	5.7	(1.3)	46.5
1974	3.1	3.4	(0.3)	34.1
1975	3.3	3.7	(0.4)	42.2
1976	4.4	6.8	(2.4)	47.6
1977	6.4	6.0	0.4	45.0
1978	6.7	7.2	(0.5)	45.0
1979	6.8	8.0	(1.2)	49.0
1980	10.0	8.2	1.8	58.4
1981	9.7	7.5	2.2	55.2
1982	15.7	7.6	8.1	76.8
1983	40.3	14.7	25.6	113.6
1984	45.9	20.0	25.9	137.1
1985	114.3	33.8	80.5	251.7
1986	215.8	67.0	148.8	424.2
1987	190.6	116.2	74.4	453.8
1988	95.3	92.5	2.8	472.3
1989	125.7	91.7	34.0	553.9

Money Market Mutual Funds

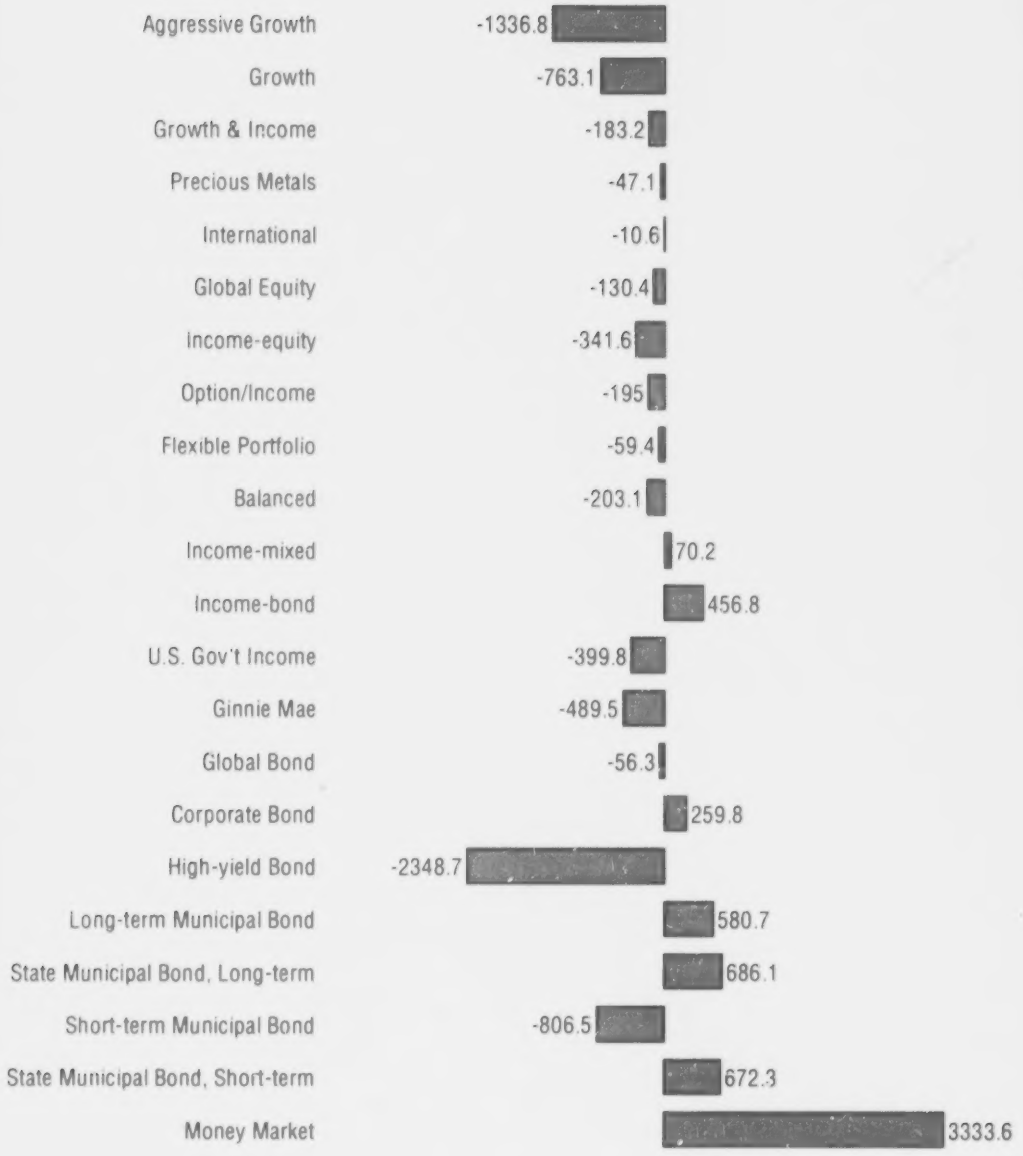
Year	Sales	Redemptions	Net Sales	Assets
1975	$6.7	$5.9	$0.8	$3.7
1976	9.4	9.6	(0.2)	3.7
1977	10.7	10.7	0.0	3.9
1978	30.5	24.3	6.2	10.9
1979	111.9	78.4	33.5	45.2
1980	232.2	204.1	28.1	74.4
1981	451.9	346.7	105.2	181.9
1982	581.8	559.6	22.2	206.6
1983	463.0	508.7	(45.7)	162.5
1984	572.0	531.1	40.9	209.7
1985	730.1	732.3	(2.2)	207.5
1986	792.3	776.3	16.0	228.3
1987	869.1	865.7	3.4	254.7
1988	903.4	899.4	4.0	272.3
1989	1,134.6	1,055.1	79.5	358.7

Short-term Municipal Bond Funds

Year	Sales	Redemptions	Net Sales	Assets
1979	$0.6	$0.4	$0.2	$0.3
1980	5.3	3.8	1.5	1.9
1981	10.5	8.3	2.2	4.2
1982	29.4	22.2	7.2	13.2
1983	44.5	42.4	2.1	16.8
1984	62.3	55.9	6.4	23.8
1985	109.4	98.8	10.6	36.3
1986	197.5	172.3	25.2	63.8
1987	191.9	196.9	(5.0)	61.4
1988	178.3	175.0	3.3	65.7
1989	184.8	180.5	4.3	69.4

Net Exchanges by Investment Objective — 1989

(millions of dollars)



tions. However, from 1968 to 1974, a weak stock market, rising interest rates, inflation, and other economic and financial uncertainties heightened investor concern about risks associated with equities and dimmed the perception of the funds' potential returns. Consequently, investors stepped away from stocks and equity mutual funds and moved toward the relative safety of short-term liquid assets.

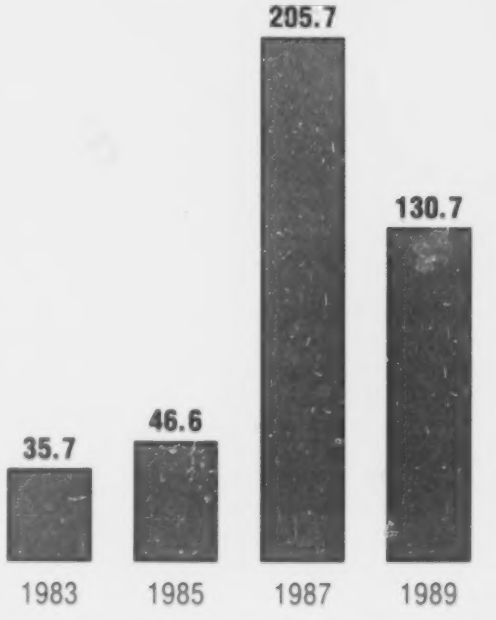
During the mid-1970s, when investor demand for equity products was declining, the industry introduced money market funds, which quickly became very popular with investors. Then came municipal bond funds and new versions of standard stock and bond funds, such as international funds, precious metals funds, and, more recently, Ginnie Mae and government income funds. By broadening its product line and encouraging use of the exchange feature within a family of funds, the industry transformed itself into a diversified financial business capable of providing a variety of benefits to both individual and institutional investors under all kinds of economic conditions.

Mutual fund sales over the past decade demonstrate investor confidence in the popular, diversified industry. 1989 saw money market funds reaching their highest annual sales ever—more than four times the amount sold in 1980—and short-term municipal bond fund sales at 35 times their 1980 level. Equity, bond, and income funds achieved their third highest sales level of the decade (see the table "Sales, Redemptions, and Assets" on page 24) in 1989. Despite a decline in fund sales in 1988 in reaction to bond market softness and the October 19 stock market drop the previous year, in 1989, sales of equity, bond, and income funds recovered with a 32 percent jump, up from $95.3 billion in 1988, to $125.7 billion in 1989.

Investors continue to show an awareness of the exchange privilege, which allows mutual fund shareholders to exchange shares from one fund to another within a group of funds under common management. This awareness, along with volatile financial markets, has encouraged investors to be flexible handling their personal portfolios, producing a significant increase in exchange activity.

In 1989, for example, exchanges into all types of mutual funds totaled $130.7 billion, almost 13 times the level in 1980. As shown in the accompanying chart, total exchanges were only $35.7 billion in 1983. Since that date, exchanges have risen at a phenomenal rate. During the market break in October 1987, investors used the exchange feature to move assets out of equity funds and into money

Sales Exchanges
All Types of Mutual Funds
(billions of dollars)



market funds primarily. Eight out of every ten dollars of total redemptions on October 19 were through exchanges, indicating a preference by investors to maintain their assets in a family of funds instead of moving their money into another investment vehicle.

In general, exchange activity over the decade has concentrated in shifting between long-term equity and bond funds and short-term money market funds as investors adjust their assets to correspond to their changing needs and to reflect their view of current market conditions.

In a relatively short period of time, mutual funds have become the nation's third largest type of financial institution. Only commercial banks and life insurance companies are larger in terms of assets.

Responding to Investor Needs

One of the hallmarks of the mutual fund industry is its responsiveness in a rapidly changing economic environment. By keeping attuned to investor needs, the mutual fund industry has been able to adapt and expand its product line and services to suit just about any investor's goals.

As a result, the investor's choice of funds and investment objectives has grown dramatically. In 1975, mutual funds fit neatly into seven main categories. By the end of 1985, the seven fund categories had grown to 15, with many funds further defining their investment objectives according to industry sectors, geographic limitations, or business philosophies. The number of individual funds available almost quadrupled in that period. Continuing innovation in the variety of mutual fund portfolios being offered to the public further increased the investment objective categories in 1987 to 22.

Such a diverse menu has encouraged many investors to sample the products the mutual fund industry has to offer.

Every fund establishes a minimum amount necessary for opening an account, plus minimum increments for adding to it. Some funds have very low minimums or even none at all; still others have minimums of $2,500 and up (some institutional funds may have minimums of $1 million or more). The great majority fall between $250 and $1,000.

Funds try to make investing as easy as possible. Most have payroll deduction plans to take the effort out of making regular contributions, and some funds, upon proper authorization, will regularly deduct a specified amount from the shareholder's bank account.

Mutual funds also offer automatic reinvestment programs in which shareholders can elect to have dividends and capital gains distributions poured back into the fund by automatically buying new shares to expand their holdings.

A similar feature covers automatic withdrawal. Arrangements can be made with the fund to send checks at regular intervals from the fund's earnings or principal to the shareholder or anyone else designated by the shareholder.

Even if a shareholder is not participating in a regular withdrawal plan, the fund makes it easy to withdraw money. By law, the fund must be willing to redeem any or all shares on each business day. All a shareholder needs to do is give proper notification and the fund will send a check. Even easier is a shareholder's ability to write checks drawing from a money market mutual fund account and from some bond funds. While most funds have minimum check amounts of $500, this still proves to be a convenient way of redeeming shares immediately.

If shareholders do not want to withdraw their money but, instead,

Number of Mutual Funds Classified by Investment Objective

want to move their assets into a different fund, they can take advantage of a fund's exchange privilege. Many management companies offer more than one fund (known as a "family of funds") to their shareholders. In this way, investors can choose from funds with a variety of investment objectives, each appropriate for different investor needs and economic conditions. An exchange privilege allows the shareholder to contact the fund or a fund representative at any time to exchange shares from one fund within the family to another. Usually funds allow investors to use the exchange privilege several times a year for a low or no fee per exchange.

Some funds may also let investors move their assets within a family of funds via telephone. With the proper notification, and a minimum of $250 or more (the minimum may vary from fund to fund), an investor can execute a telephone exchange in a matter of minutes.

Whenever a shareholder exchanges shares, writes a check from a money market fund, or makes an investment, a statement will be sent to confirm each transaction. Mutual funds have long been noted for their convenient recordkeeping. In addition to confirmation statements, the fund sends account updates on a monthly, quarterly, or annual basis, depending on the fund.

Finally, funds send periodic reports both to the SEC and to shareholders. Complete information is supplied to shareholders at least twice a year, and for most companies, four times a year. These reports list the names and amount of securities the fund holds, major investment changes since the last report, plus financial statements and related information.

By taking advantage of new technology, the mutual fund industry has made prompt and professional service a priority. Many funds have fax machines that allow shareholders to transmit important documents quickly and easily. Voice-response systems—which let shareholders access information about their funds or even perform simple transactions over the telephone—have expedited service delivery. Shareholders may check their account balances, current yield figures in money market funds, and discover a variety of other important fund information over the telephone, often 24 hours a day.

The mutual fund industry tries to stay in tune with the needs of its current *and* future shareholders. Healthy competition ensures that the industry will continue to develop new products and services to respond to the needs of mutual fund shareholders better than ever.

Professional Management

Professional money management is one of the key features that draws investors to mutual funds. It is even more important today when many individuals find it increasingly difficult to make their own way in the securities markets.

The alternatives can seem endless and bewildering. Plus, many people do not have the time, inclination, or experience to choose and manage their own investments. Even individuals who *want* to make their own investment decisions sometimes feel squeezed out of the market by a phenomenon referred to as "the institutionalization of the market." Institutions are playing a much larger role in the securities markets through their big-volume trades executed by large "buy" and "sell" programs that can suddenly affect prices of securities. Takeover activity—and rumored activity—can also cause rapid fluctuations in securities prices. The average investor is finding it tougher and tougher to determine how market activity and fundamental economic changes affect individual securities and industries.

To invest more effectively today, millions of Americans have, in effect, hired professional money managers through mutual fund investing. No matter how modest their holdings, individual investors have joined the institutional investors by choosing mutual funds.

Portfolio Composition of Equity, Bond, and Income Funds Yearend 1989
(billions of dollars)

Common Stock	$241.3
Preferred Stock	4.6
Municipal Bonds (long-term)	85.0
Corporate Bonds	53.0
U.S. Gov't Sec. (long-term)	118.1
U.S. Gov't Sec. (short-term)	11.0
Liquid Assets	33.8
Other	7.1
Total Net Assets	**$553.8**

What Do the Money Managers Do?

Fund managers perform extensive economic and financial research. Their aim: to develop data so intelligent decisions can be made about securities in the fund's portfolio.

To make these decisions, investment analysts research basic economic trends—market conditions, interest rates, inflation—and then evaluate how individual companies and other security-issuing organizations will be affected. Managers read widely...not only general business publications, but also trade publications, research reports, and surveys. Their job means keeping up with the steady stream of financial information that companies release and file with various government agencies. They study balance sheets and other financial statements, companies' business systems and marketing philosophies, and talk to a cross-section of business executives. They may make field trips to inspect a company's plants. Often they specialize. One analyst may study utilities while a colleague concentrates on the computer industry. A third may study stock markets overseas while another follows bonds or other debt issues.

Those responsible for managing the fund make buy and sell decisions for their portfolio, based on this research and the fund's investment objective, which is discussed in the fund's prospectus. Typically, portfolio managers will invest the pool of shareholders' dollars in anywhere from 50 to over 100 different securities to diversify the fund's holdings.

Diversification

Diversification is a basic investment principle of all mutual funds. It means that the professional managers of mutual funds combine the money of shareholders and invest in many types of securities. It is a proven method of reducing the risk inherent in all investing.

Diversification may take different forms:

- Diversification among a variety of securities issuers—A number of federal and state regulations require this type of diversification. The Investment Company Act of 1940 sets minimum diversification standards for a mutual fund to qualify as a diversified company; the Internal Revenue Code mandates a certain measure of diversification for a fund to qualify as a regulated investment company; and various states impose diversification requirements for a fund to be able to offer its shares in the state.

- Diversification among types of securities—Balanced funds are one example of this form of diversification. These funds invest in common stocks, preferred stocks, and corporate bonds.

- Diversification among a variety of industries—Stock funds diversify their portfolios by including securities issued by companies in many different industries. Corporate bond portfolios also include issues of different types of businesses, while those of municipal bond funds include holdings of a wide range of state and local governments.

- The exceptions—Not all funds are diversified across company, industry, and geographic lines. Specialty funds or sector funds focus on a specific industry, market segment, geographic region, or on certain social criteria. Examples include funds investing in high technology stocks, the health care industry, sunbelt companies, or companies whose products are environmentally safe. But even in specialty funds, money managers still diversify within those specific areas.

Security Selection

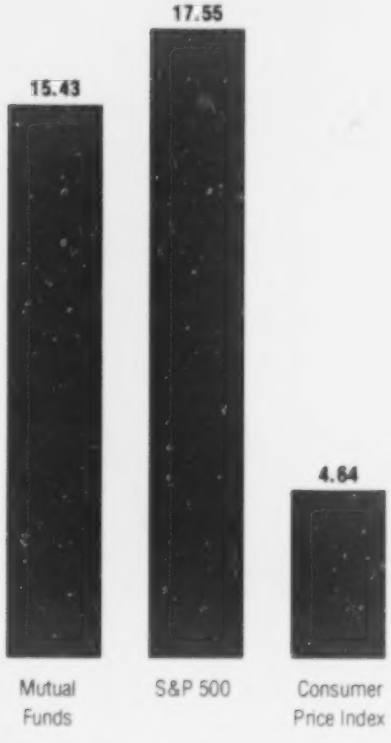
The huge net sales volume of equity funds during the bull market years of the mid-'80s was a major source of liquidity in the securities market, and helped to stimulate the financing of many new equity issues. Today, mutual fund managers must choose from thousands of different domestic securities issues with an estimated value of $3 trillion available on the organized exchanges and the over-the-counter markets in the U.S., plus thousands more in foreign issues traded on overseas exchanges. Mutual

Money Market Fund Asset Composition
Yearend 1989
(billions of dollars)

U.S. Treasury Bills	$7.4
Other Treasury Securities	7.4
Other U.S. Securities	21.0
Repurchase Agreements	54.9
Commercial Bank CDs	33.6
Other Domestic CDs	7.6
Eurodollar CDs	26.4
Commercial Paper	179.1
Bankers Acceptances	7.5
Cash Reserves	0.1
Other	13.7
Total Net Assets	**$353.7**
Average Maturity (Days)	36
Number of Funds	463

Mutual Fund Investment Performance

Ten Years Through 12/31/89
(percentages)

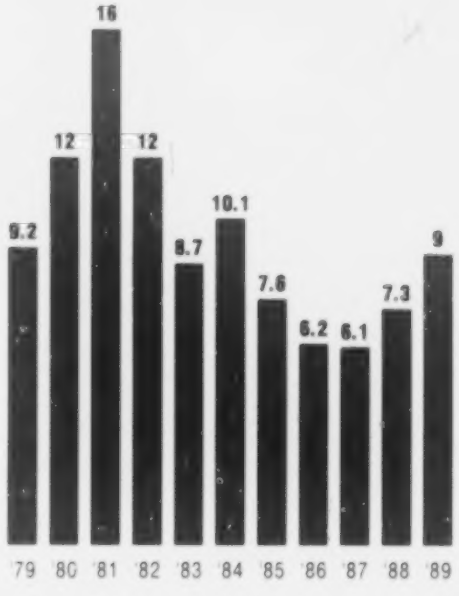


Note: *Mutual fund performance reflects a monthly weighted average for all equity funds.*

Mutual Fund and S&P 500 data are prepared by Lipper Analytical Services. These indexes are not adjusted for sales charges.

Money Market Mutual Funds Average Annual Yield

(percentages)



funds held $246 billion of those stocks in their portfolios in 1989—representing thousands of different securities issues.

Funds purchase substantial amounts of corporate bonds and municipal securities, thereby helping finance corporate America as well as state and local governments. Mutual funds held $53 billion in corporate bonds and $85 billion in long-term municipal securities at the end of 1989.

In recent years, the mutual fund industry has also become an important market for government-backed mortgage securities (Ginnie Maes), Treasury bonds, and other government securities. Mutual funds currently hold about $129 billion worth of these securities in their portfolios.

Mutual funds, in short, do the job of an efficient financial intermediary. They gather up the public's savings and channel them into productive uses.

The tables at the end of this chapter represent the dollar value and market percentage for industries of special interest to equity fund managers in 1989. As might be expected, the ranking of various industries and the size of their share in fund portfolios change constantly. These variations reflect portfolio managers' evolving views of the attractiveness of securities from firms in different industry groups.

Dividends and Reinvestment
All Types of Mutual Funds
(billions of dollars)

Year	Investment Income Dividends	Reinvested Dividends	Percentage Reinvested
1975	$1.6	$1.1	68.1%
1976	1.7	1.1	63.1
1977	1.9	1.3	65.8
1978	2.5	1.8	71.3
1979	5.2	3.7	72.2
1980	10.4	8.5	81.3
1981	21.7	19.7	91.7
1982	25.8	22.9	88.8
1983	18.8	15.7	83.5
1984	23.7	18.4	77.6
1985	28.9	20.4	70.6
1986	35.8	25.5	71.2
1987	47.4	30.9	65.2
1988	52.6R	33.2	63.1R
1989	62.7	43.6	69.5

Capital Gains and Dividends
Distributions to Shareholders
All Types of Mutual Funds
(billions of dollars)

Year	Net Realized Capital Gains	Net Investment Income		
		Equity, Bond, and Income Funds	Money Market Funds	Short-term Municipal Bond Funds
1975	$0.2	$1.4	$0.2	N/A
1976	0.5	1.6	0.1	N/A
1977	0.6	1.8	0.1	N/A
1978	0.7	2.1	0.4	N/A
1979	0.9	2.5	2.7	N/A
1980	1.7	2.7	7.7	$0.1
1981	2.7	3.1	18.5	0.1
1982	2.4	3.8	21.7	0.3
1983	4.4	5.0	13.2	0.6
1984	6.1	7.3	15.4	1.0
1985	5.0	12.9	14.4	1.6
1986	17.9	22.3	11.1	2.4
1987	23.0	31.8	12.8	2.8
1988	6.4R	31.8R	17.3R	3.5R
1989	14.9	34.1	24.7	3.9

R—Revised

Diversification of Mutual Fund Portfolios
Common Stock Holdings by Industry
(millions of dollars)

	1988	1989
Agricultural Equipment	$385.2	$266.2
Aircraft Manufacturing & Aerospace	1,331.1	551.8
Air Transport	1,658.4	1,643.2
Auto & Accessories (excl. Tires)	3,525.4	3,169.1
Building Materials & Equipment	737.1	664.0
Chemicals	3,898.5	3,632.5
Communications (TV, Radio, Motion Pictures, Telephone)	6,194.5	9,308.1
Computer Services*	2,352.5	1,407.4
Conglomerates	1,973.9	2,953.3
Containers	115.4	83.1
Drugs & Cosmetics	3,778.2	4,156.1
Electric Equipment & Electronics (excl. TV & Radio)	3,538.0	6,206.4
Financial (incl. Banks & Insurance)	14,046.9	18,807.3
Foods and Beverages	2,431.3	3,016.9
Hospital Supplies & Services	1,062.9	1,238.9
Leisure Time	1,637.6	1,616.8
Machinery	1,424.0	2,576.9
Metals & Mining	2,440.0	3,409.8
Office Equipment	3,260.1	2,582.3
Oil	5,368.3	6,296.4
Paper	1,828.0	2,423.2
Printing & Publishing	1,240.1	1,437.3
Public Utilities (incl. Natural Gas)	4,606.8	6,053.8
Railroads & Railroad Equipment	962.5	758.3
Retail Trade	4,267.7	4,690.4
Rubber (incl. Tires)	275.7	241.6
Steel	459.5	575.6
Textiles	473.1	201.8
Tobacco	1,181.1	615.1
Trucking & Shipping	525.5	666.7
Miscellaneous	2,207.0	2,404.6
Total	**$79,205.3**	**$93,656.9**

Note: *Composite industry investments drawn from the portfolios of 60 of the largest investment companies as of the end of the calendar year 1989 whose total net assets represented 50.1% of total net assets of all reporting equity companies. Previous years not shown due to change in sample.*

**Includes computer software, consultants, and time sharing.*

Diversification of Mutual Fund Portfolios
Percent of Common Stock Holdings by Industry
(percentages)

	1988	1989
Agricultural Equipment	0.49%	0.28%
Aircraft Manufacturing & Aerospace	1.68	0.59
Air Transport	2.09	1.75
Auto & Accessories (excl. Tires)	4.45	3.38
Building Materials & Equipment	0.93	0.71
Chemicals	4.92	3.88
Communications (TV, Radio, Motion Pictures, Telephone)	7.82	9.94
Computer Services*	2.97	1.50
Conglomerates	2.49	3.15
Containers	0.15	0.09
Drugs & Cosmetics	4.77	4.44
Electric Equipment & Electronics (excl. TV & Radio)	4.47	6.63
Financial (incl. Banks & Insurance)	17.73	20.08
Foods and Beverages	3.07	3.22
Hospital Supplies & Services	1.34	1.32
Leisure Time	2.07	1.73
Machinery	1.8	2.75
Metals & Mining	3.08	3.64
Office Equipment	4.14	2.76
Oil	6.78	6.73
Paper	2.31	2.59
Printing & Publishing	1.57	1.53
Public Utilities (Incl. Natural Gas)	5.81	6.46
Railroads & Railroad Equipment	1.21	0.81
Retail Trade	5.39	5.01
Rubber (incl. Tires)	0.35	0.26
Steel	0.58	0.61
Textiles	0.60	0.22
Tobacco	1.49	0.66
Trucking & Shipping	0.66	0.71
Miscellaneous	2.79	2.57
Total	**100.00%**	**100.00%**

Note: *Composite industry investments drawn from the portfolios of 60 of the largest investment companies as of the end of the calendar year 1989 whose total net assets represented 50.1% of total net assets of all reporting equity companies. Previous years not shown due to change in sample.*

**Includes computer software, consultants, and time sharing.*

How Mutual Fund Shares Are Acquired By Investors

Many kinds of firms provide a wide range of products and services in today's securities industry. Some offer investment advice, financial planning, insurance, and commodity products, in addition to such traditional services as executing orders to buy and sell securities and underwriting new stock and bond issues. Some firms offer a few of these products and services, while others only execute trades for investors who have made their own investment decisions.

Considering the securities industry's complexity, it is not surprising that mutual fund distribution patterns have become equally diverse. Some funds offer their shares directly to investors, through the mail, by telephone, or at their own offices, while others sell through securities firms, financial planners, life insurance organizations, deposit institutions, or even through membership organizations. Funds may also be offered through employee benefit plans.

Basically, however, mutual fund distribution can be broken down into two major channels: shares purchased directly from a fund, and shares purchased from a member of a sales force. These two distribution channels are frequently referred to as "direct marketing," and "sales force" respectively.

Most mutual funds are affiliated with an underwriter that distributes their shares nationally. The underwriter has exclusive distribution rights and may use several different avenues for share distribution.

The Broker/Dealer: Most often, the underwriter distributes fund shares through securities firms and their brokers. These brokers deal directly with the public—the potential purchasers of mutual fund shares.

In addition to traditional broker/dealer firms, an increasing number of financial planners are recommending mutual funds to their clients. More and more, financial planners suggest mutual funds as building blocks in a master financial plan, which might also include life insurance and individual securities.

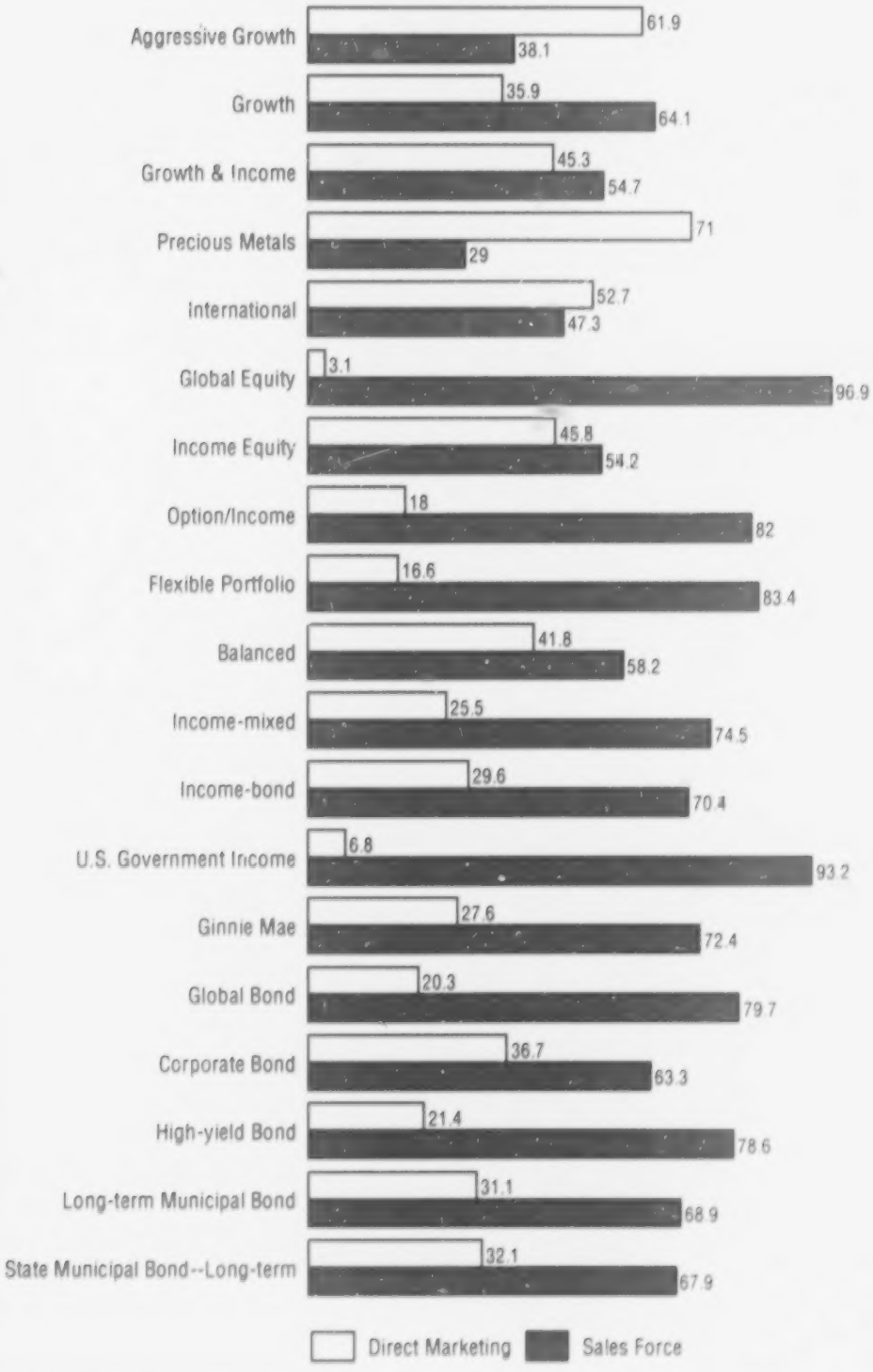
Within the broker/dealer distribution system, underwriters, in effect, act as wholesalers. Underwriters do not sell shares to the public directly. Instead, they establish sales agreements with securities firms which, in turn, sell the fund's shares to individual investors through the firms' branch offices. To assist local firms and branches, a mutual fund underwriter usually divides the country into regions and assigns its own staff members to represent the underwriter in each area.

Retail securities firms distributing mutual fund shares are usually members of the National Association of Securities Dealers, Inc. (NASD). This organization provides selfpolicing of its member firms in the distribution of mutual fund shares.

Captive (or Dedicated) Sales Force: In some cases, an underwriter employs its own sales force. These people primarily sell shares of the

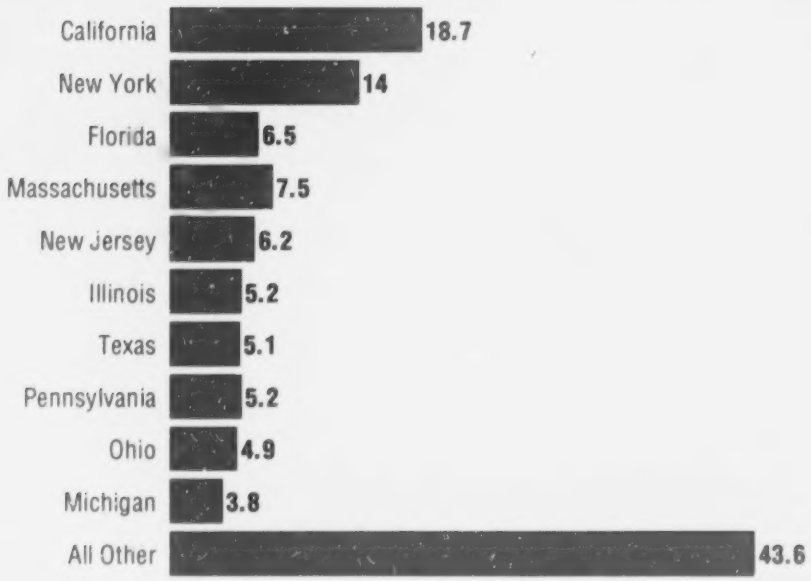
Sales of Sales Force & Direct Marketing Funds by Investment Objective - 1989

(percentages)



Equity, Bond, and Income Fund Sales by Selected States - 1989

(billions of dollars)



funds the underwriter represents plus other securities issued by the underwriter and its affiliates. In some cases, a captive sales force is the sales arm of an insurance company which might own a mutual fund management company.

Fund shares sold through brokers, commission-based financial planners, or dedicated sales forces may have a sales charge included in their offering price. Depending on the type of fund, this initial, or "front-end" sales charge (usually referred to as a "load") may range from 4 to 8.5 percent. Usually, the basic charge will vary, depending on the size of the purchase. Some funds may also charge a fee on reinvested dividends.

In addition, some funds assign a small percentage of fund assets to aid in distribution expenses. This annual charge is known as a 12b-1 fee, named after a Securities and Exchange Commission rule, and usually is 1 ¼ percent or less of the fund's assets. Some funds that are sold through brokers or other sales professionals adopt the 12b-1 fee structure to compensate the seller of fund shares at the time of sale, though the investor (through increased fund expenses) may pay the commission over several years, rather than paying a front-end load (commission). Other funds may use the fee to pay for other distribution expenses, such as advertising.

In some cases, there is no up-front sales charge or load, but there may be a charge if shares are redeemed during the first few years of ownership. This is known as a contingent deferred sales charge (CDSC) and may be expressed as a percentage of either the original

purchase price or the redemption proceeds. Most CDSCs decline over time and some will not be charged if shares are redeemed after a certain period of time (typically one to six years).

The CDSC is one kind of "back-end" load, i.e., a charge imposed when money is withdrawn from an account; a redemption fee is another. This fee may be charged whenever shares are redeemed, and it may be either a dollar amount or a percentage of the redemption price. Information on all fees is included in the fund's prospectus.

Mutual funds are required to redeem outstanding shares at their current net asset value, which is usually calculated each afternoon after the close of U.S. security markets. (See page 15 for a discussion of the net asset value.) This is the case regardless of distribution method or commission structure.

Fund to Investor: In this method of distribution, investors purchase mutual fund shares directly from the fund—usually by mail, telephone, bank wire, or sometimes at offices maintained by fund organizations. As a technical matter, however, these direct marketing funds usually have an underwriter—a distribution arm of the fund organization—through which all share transactions pass.

The funds attract investors through advertising, direct mail, and other means. Potential investors do their own research and take the initiative to determine if specific funds meet their needs. Investors contact the fund organization directly to obtain a prospectus or buy shares. The shares of these funds are generally sold to the public with a low sales charge or none at all.

Sales by Method of Distribution

Of all stock, bond, and income fund sales made in the mutual fund industry in 1989, $79.8 billion or 63 percent were made by those funds distributed through a sales force. Those funds distributed directly to investors had sales of $41 billion or 33 percent of the total. (Other sales result from reinvested dividends in funds no longer offering shares and from variable annuities.)

Among equity funds, the two major methods of distribution—through a sales force or direct marketing—recorded sales of $26.5 billion and $24.7 billion, respectively. The sales force distribution channels attained their highest percentage of overall sales through $53.3 billion in bond and income fund sales. Direct marketing sales were $16.3 billion in the bond and income funds.

Where the Most Funds Are Purchased

Assets and sales of mutual funds are heaviest in geographic regions with large numbers of people in moderate- to upper-income groups. As may be seen in the accompanying chart, California and New York accounted for the two largest state shares of total sales of equity, bond, and income funds. Sales in California totaled $18.7 billion in 1989, 16 percent of all sales of those funds. New York fund sales totaled $14.0 billion, 12 percent of total sales. The ten states with the largest share of stock and bond fund sales, moreover, accounted for over 64 percent of the total.

Regulation and Taxation

Mutual fund organizations are perhaps the most strictly regulated business entities under the federal securities laws. A former chairman of the SEC said, "No issuer of securities is subject to more detailed regulation than mutual funds."

The laws governing mutual funds require exhaustive disclosure to the SEC, state regulators, and fund shareholders and entail continuous regulation of fund operations. Appropriately, however, these laws do not include second-guessing of the investment judgment of each fund's management (provided the fund is invested according to the objectives and any restrictions set forth in its prospectus and according to federal and state law).

Regulation of Funds

Four major federal statutes regulate mutual funds.

The **Securities Act of 1933** requires filing with the SEC a registration statement that contains extensive information regarding the fund. In addition, the 1933 act requires the fund to provide potential investors with a current prospectus. The prospectus contains detailed disclosures about the fund's management, its investment policies, objectives, and other essential data. The 1933 act also limits the type and content of advertisements that may be used by a mutual fund.

The purchase and sale of mutual fund shares, as with all securities, are subject to the antifraud provisions of the **Securities Exchange Act of 1934**. Distributors of mutual fund shares are subject to regulation by the SEC and the National Association of Securities Dealers (NASD) pursuant to the 1934 act. NASD is a self-regulatory organization for securities brokerage firms with authority over mutual fund share distribution.

The **Investment Advisers Act of 1940** regulates the activities of investment advisers to mutual funds.

Most important, the mutual fund must register with the SEC under the **Investment Company Act of 1940**, which is a highly detailed regulatory statute. The 1940 act contains numerous provisions designed to prevent self-dealing and other conflicts of interest, maintain the integrity of fund assets, and prevent the fund and its shareholders from paying excessive fees and charges.

In addition to these federal statutes, most states regulate mutual funds whose shares are offered in those states.

Federal and state laws provide for appropriate disclosure to investors when it comes to potential returns and risks associated with individual funds. These laws are designed to ensure that mutual funds are operated and managed in the interests of their shareholders.

Taxation of Shareholders

Traditionally, an extra layer of taxation is avoided under the conduit theory. Mutual fund shareholders are generally treated as if they directly held the securities in the fund's portfolio. Under Subchapter M of the

Internal Revenue Code, qualified funds pay no federal income tax on their earnings and capital gains which are distributed to shareholders.

In order to qualify, a mutual fund has to distribute at least 90 percent of its investment company taxable income to its shareholders each year, among other requirements. Thus, a shareholder receives dividends and capital gains distributions from a qualifying fund without any tax being levied on the fund. Instead, shareholders report these payments on their own tax returns and pay the appropriate tax.

The **Tax Reform Act of 1986** and subsequent legislation require that a fund distribute 97 percent of its income from dividends and interest, and 98 percent of its net realized capital gains with respect to the calendar year in which they are earned or realized.

The 1986 act also required shareholders to be taxed on their share of a fund's gross income (income before fund expenses are subtracted), rather than on net distributions. This change would have imposed a tax on the "phantom income" imputed to shareholders, that is, income that shareholders never received but for which they were held accountable on their tax returns. However, this provision was amended in December 1989, before it was ever implemented, to permanently exempt almost all funds.

Recent Trends in Activity:
Stock, Bond, and Income Funds

Mutual fund shareholders displayed a renewed spirit of confidence in the financial marketplace two years after it was shaken by the 1987 market break. Rising total returns and appreciating portfolios encouraged investors to pour their money into equity, bond, and income funds, resulting in total sales of long-term funds of $125.7 billion during 1989. This was the third highest level of sales ever reached; it also represented an increase of more than 30 percent over 1988 total sales figures.

Sales of equity funds reached $54.5 billion, the third highest level of the decade, and almost double 1988's figure of $31 billion. Bond and income

Share of Equity Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1988	1989	1988	1989
Aggressive Growth	14.1%	15.8%	15.0%	14.8%
Growth	27.0	22.8	28.4	29.4
Growth & Income	34.0	40.3	31.5	36.3
Precious Metals	3.8	1.8	3.5	2.6
International	3.9	4.5	5.2	3.2
Global Equity	4.4	4.1	5.3	4.4
Income-equity	10.0	9.9	6.8	6.7
Option/Income	2.8	0.8	4.3	2.6
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Share of Bond and Income Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1988	1989	1988	1989
Flexible Portfolio	1.7%	1.7%	1.8%	1.6%
Balanced	2.0	2.9	2.9	2.9
Income-mixed	4.2	10.2	5.9	4.5
Income-bond	5.7	6.2	4.7	4.5
U.S. Government Income	25.9	16.6	36.2	32.6
Ginnie Mae	7.1	5.3	12.4	10.3
Global Bond	2.3	1.3	1.3	1.5
Corporate Bond	3.6	4.5	3.3	3.8
High-yield Bond	15.3	13.8	9.6	15.2
Long-term Municipal Bond	19.6	21.7	14.5	15.1
State Municipal Bond—Long-term	12.6	15.8	7.4	8.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Mutual Fund Assets
Classified by Investment Objective

Yearend (billions of dollars)

Investment Objective	1988	1989	Percent Change
Aggressive Growth	$29.5	$37.2	+26.1%
Growth	50.5	66.1	+30.9
Growth & Income	70.9	91.4	+28.9
Precious Metals	3.2	4.1	+28.1
International	6.8	9.9	+45.6
Global Equity	11.1	13.7	+23.4
Income-equity	17.5	22.9	+30.9
Option/Income	5.3	3.8	-28.3
Flexible Portfolio	3.5	4.1	+17.1
Balanced	9.5	13.5	+42.1
Income-mixed	8.8	15.2	+72.7
Income-bond	10.7	13.4	+25.2
U.S. Government Income	82.7	81.4	-1.6
Ginnie Mae	28.7	28.2	-1.7
Global Bond	3.0	3.1	+3.3
Corporate Bond	10.5	11.7	+11.4
High-yield Bond	33.4	28.5	-14.7
Long-term Municipal Bond	54.3	64.5	+18.8
State Municipal Bond, Long-term	32.4	41.2	+27.2
***Total Long-term Funds**	**$472.3**	**$553.9**	**+17.3%**

**See next chapter for total short-term fund (money market and short-term municipal bond funds) assets.*

Mutual Fund Sales
Classified by Investment Objective

Yearend (billions of dollars)

Investment Objective	1988	1989	Percent Change
Aggressive Growth	$4,361.4	$8,577.8	+96.7%
Growth	8,386.3	12,432.6	+48.2
Growth & Income	10,555.6	21,944.4	+107.9
Precious Metals	1,193.3	998.9	-16.3
International	1,214.4	2,456.7	+102.3
Global Equity	1,348.4	2,224.0	+64.9
Income-equity	3,068.3	5,360.7	+74.2
Option/Income	866.5	448.8	-48.2
Flexible Portfolio	1,075.8	1,194.7	+11.1
Balanced	1,291.0	2,090.8	+62.0
Income-mixed	2,714.3	7,251.3	+167.2
Income-bond	3,634.1	4,457.4	+22.7
U.S. Government Income	16,636.3	11,797.1	-29.1
Ginnie Mae	4,548.8	3,771.0	-17.1
Global Bond	1,509.0	893.9	-40.8
Corporate Bond	2,289.5	3,179.4	+38.9
High-yield Bond	9,828.2	9,866.8	+39.3
Long-term Municipal Bond	12,626.2	15,470.0	+22.5
State Municipal Bond, Long-term	8,125.5	11,277.0	+38.8
***Total Long-term Funds**	**$95,292.9**	**$125,713.3**	**+31.9%**

**See next chapter for total short-term funds (money market and short-term municipal bond funds) sales.*

fund sales also rose, from $64.3 billion in 1988 to $71.2 billion at yearend 1989.

Most categories of equity funds experienced significantly higher sales volumes in 1989, with the exception of precious metals and option/income funds. Sales of the leading stock fund category in 1989—growth and income funds—increased 100 percent over 1988 figures, jumping from $10.6 billion to $21.9 billion. Next highest sales were of growth funds, which rose from $8.4 billion to $12.4 billion, followed by aggressive growth funds, which also increased by nearly 100 percent, from $4.4 billion to $8.6 billion.

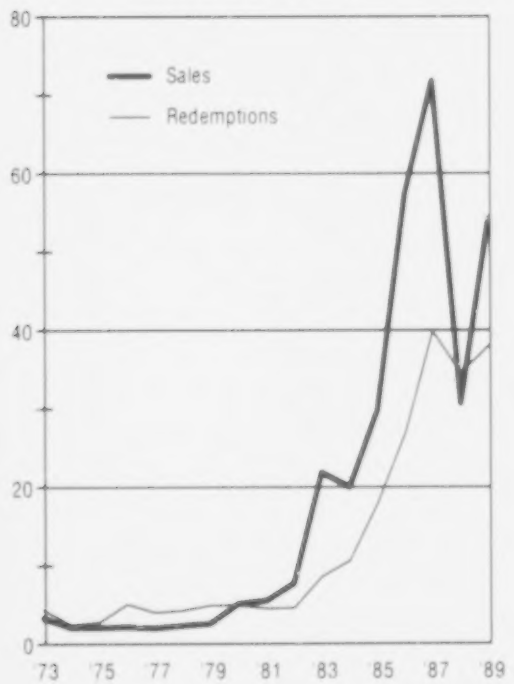
While sales of bond and income funds rose over 10 percent in 1989, the margin narrowed significantly between their sales figures and sales of stock funds. Whereas in 1988, bond and income fund sales were two times the sales volume of equity funds, in 1989, they were 1.3 times the sales volume of equity funds. Sales increased in every category except U.S. government income, Ginnie Mae, and global bond funds.

The shift in bond and income fund sales was dramatic; sales of U.S. government income funds dropped from $16.6 billion in 1988 to $11.8 billion in 1989; long-term municipal bond fund sales rose from $12.6 billion to $15.5 billion; and sales of state municipal long-term bond funds rose from $8.1 billion to $11.3 billion.

The growth in sales of long-term funds reflects renewed investor interest in participating in the financial markets through mutual funds. The rise in stock prices and the appreciation of assets encouraged investors to increase their holdings of long-term mutual funds. The important rise in

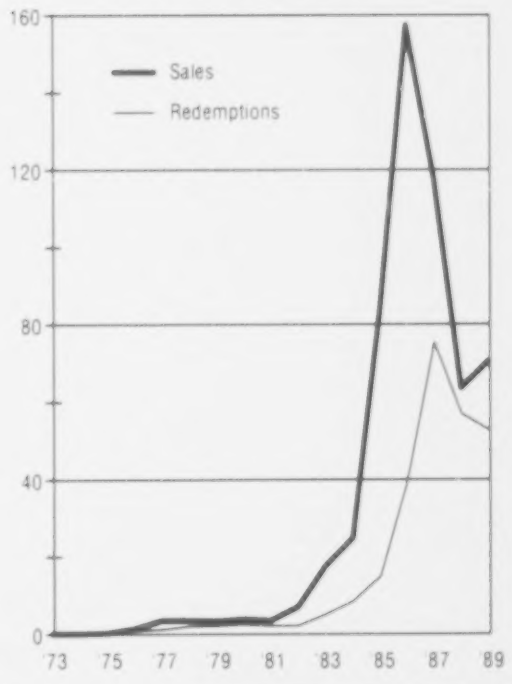
Sales and Redemptions
Equity Funds

(billions of dollars)



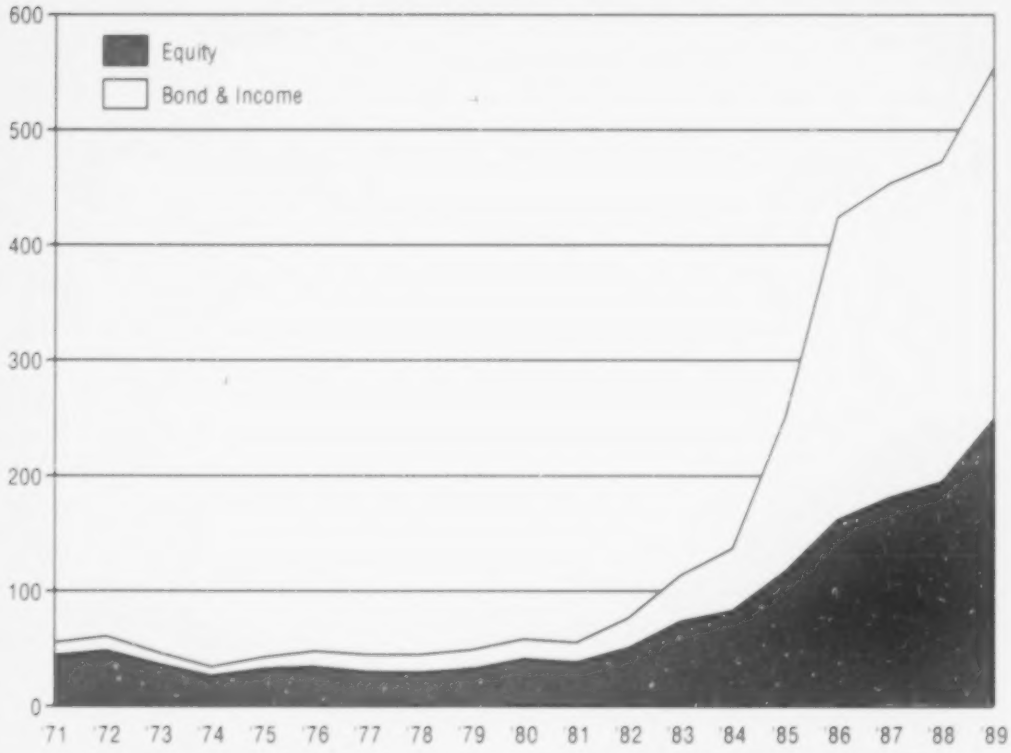
Sales and Redemptions
Bond & Income Funds

(billions of dollars)



Assets of Equity and Bond & Income Funds

(billions of dollars)



sales of equity funds suggests that investors are willing to tolerate periodic bouts of price volatility in exchange for the proven benefits of mutual funds. Although rising interest rates made short-term funds very desirable during the year, the resilience of long-term funds was clear.

As other financial institutions change, investors feel confident about moving their money out of traditional investment vehicles and into the many mutual fund products the industry has developed. Encouraged by new service features of funds and by the various methods of distribution, investors continue to select mutual funds as an investment choice that meets their needs.

Asset figures illustrate the effectiveness of the industry's efforts. Total long-term fund assets increased in 1989 to $553.9 billion, up from $472.3 billion in 1988, and $453.8 billion in 1987.

At the end of the decade, total industry assets (long-term and short-term funds) had risen over 932 percent, from $94.5 billion at yearend 1979, to $982 billion at yearend 1989. In 1988, yearend assets were $810.3 billion and in 1987 they were $769.9 billion.

Recent Trends in Activity:
Money Market and Short-term Municipal Bond Funds

Continuing the trend of previous years, total assets of money market mutual funds (MMMFs) ended the decade at the historic high of $358.7 billion, an increase of 32 percent over the 1988 yearend total of $272.3 billion. This represents the highest one-year increase in assets since 1981, when assets climbed 144 percent from $74.4 billion to $181.9 billion.

Sales of money market mutual funds also surged upward, passing the $1 trillion mark at yearend 1989. Compared to sales in 1988, 1989 MMMF sales rose 26 percent, the highest percentage increase in sales since 1985, when sales rose 28 percent over the previous year.

The tremendous jump in both sales and assets can be attributed to the Federal Reserve's change in monetary policy to tighten credit starting in the spring of 1988. Short-term interest rates began to rise and continued to rise through the late spring of 1989. The average annual yield of money market mutual funds during 1989 was 9.0 percent, making the funds a very attractive investment option. This was the highest average yield since 1984 (see chart on page 48).

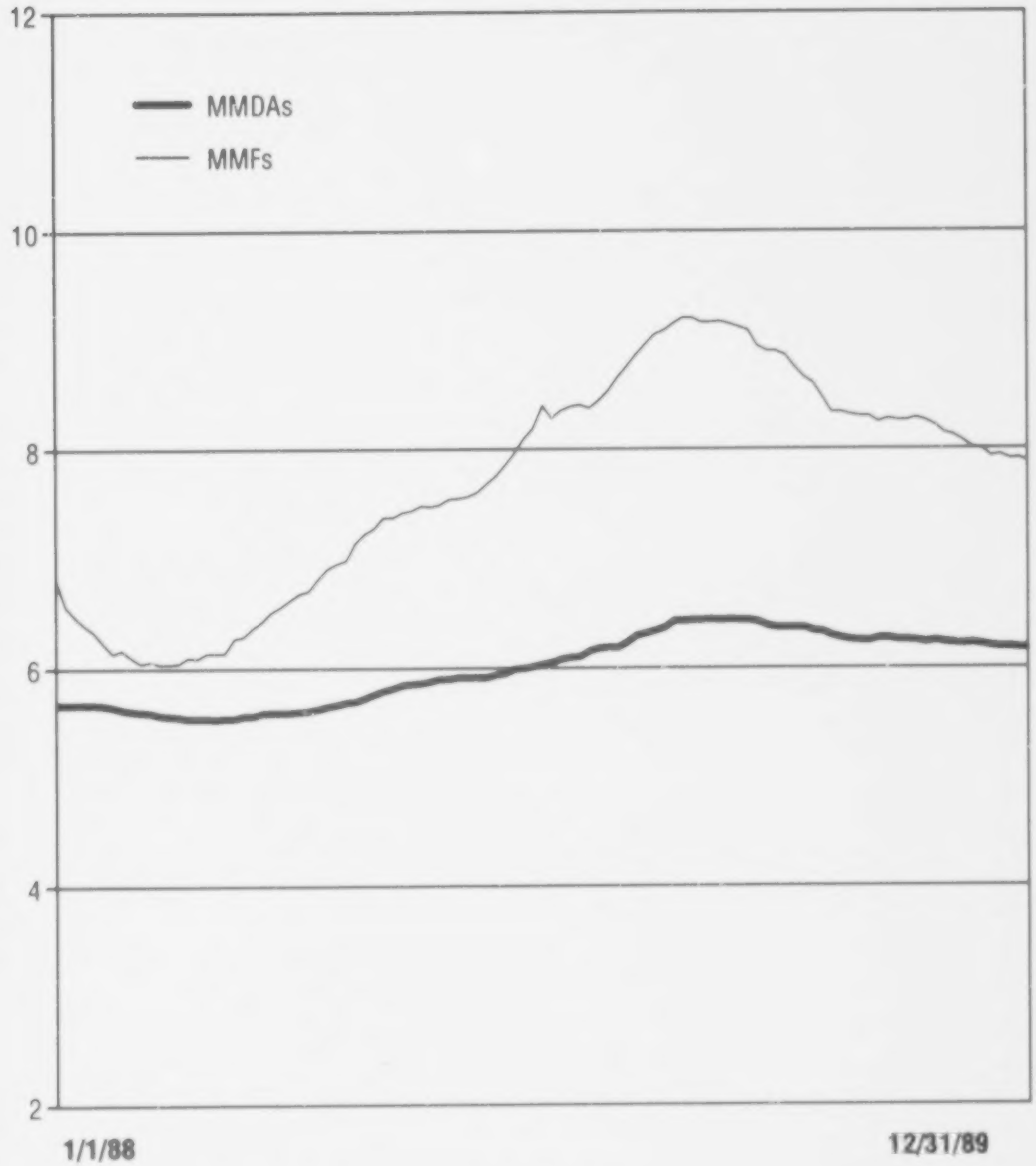
During the second half of the decade, assets of money market mutual funds rose steadily. This was in contrast to the early 1980s, when asset figures were less stable. 1983 saw money market fund assets decline over 21 percent from the previous year to $162.5 billion. Competition from banks' newly authorized money market deposit accounts (MMDAs) and rising stock and bond prices were the cause of this drop. But since August 1983, MMMF rates have consistently been higher than those of MMDAs, and during May of 1989, the yield differential even widened to three percentage points.

In addition to the attractiveness of money market mutual funds because of increased demand for conservative financial products and higher yields, the appeal of MMMFs lies in their versatility.

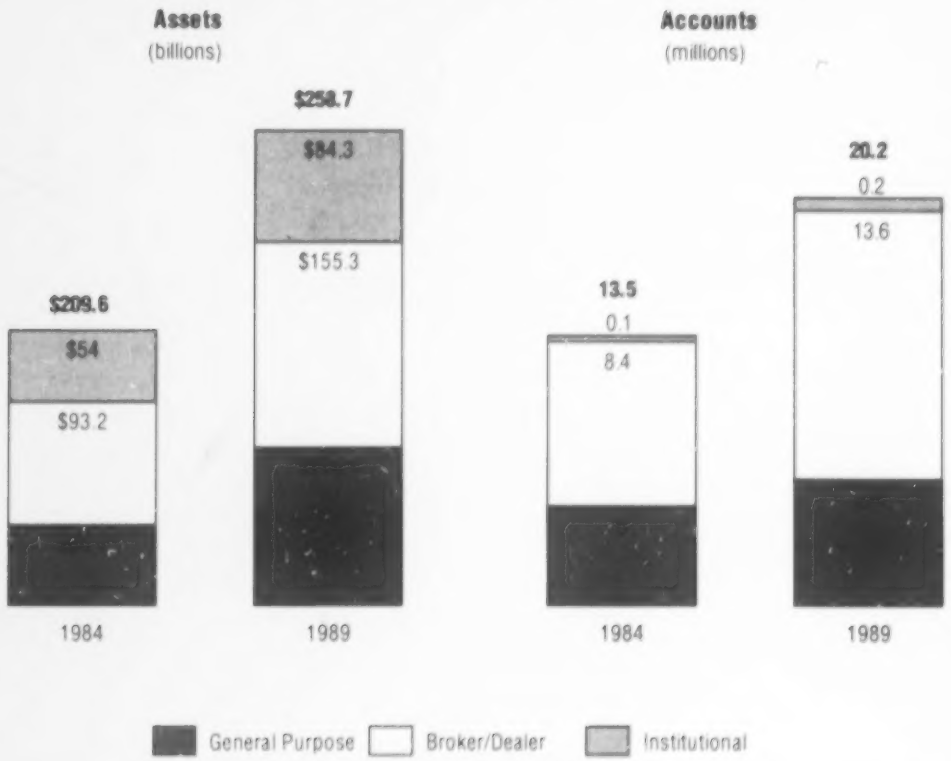
There are three main ways people use money market funds. These vary in importance, depending on market conditions. One major way to use a money market fund is as a cash management tool—a way to earn market rates on money to be used for paying the common bills of everyday life. (Institutions use money market funds this way on a larger scale.) Another is as a savings instrument. And third, money market funds are used as a safe harbor between financial transactions.

Investors have come to recognize the importance of money market funds in every financial plan. For that reason, there will probably be a relatively stable, ongoing use of these

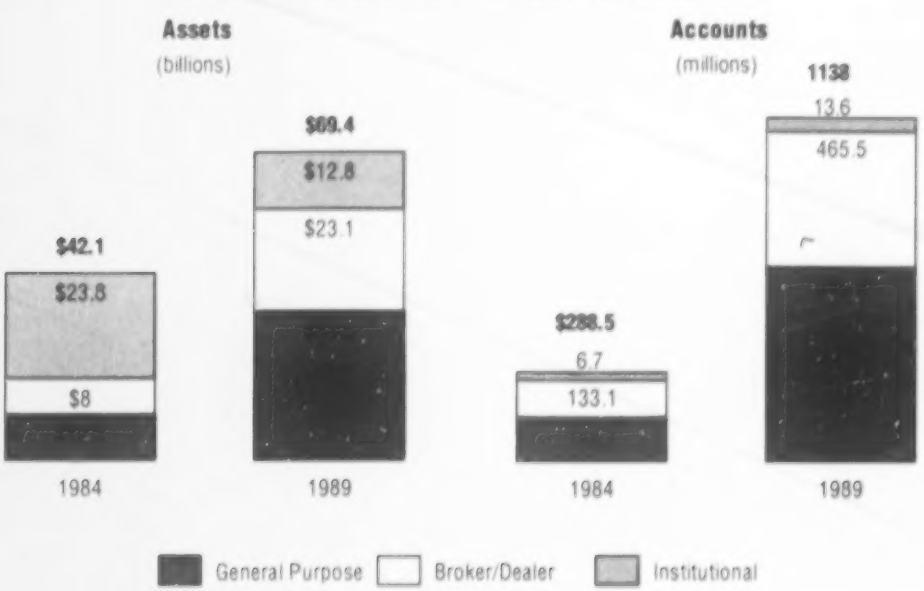
Weekly Yield on MMFs and MMDAs
January 1, 1988 — December 31, 1989
(percentages)



Money Market Fund Assets and Shareholder Accounts



Short-term Municipal Bond Fund Assets and Shareholder Accounts



funds as cash management tools. The amount of money people keep in these funds may fluctuate with the changing forces in the market, but money market funds will continue to play a role in responding to investors' needs for a relatively safe, high-yielding, liquid instrument.

There are three broad types of money market mutual funds offering shares—each responding to somewhat different needs. Both general purpose funds and broker/dealer funds sell to individuals and institutions, but individuals are the primary market and represent over 70 percent of the assets of both types of funds. Conversely, institutional funds concentrate primarily on institutional investors such as businesses and bank trust departments. These funds are characterized by fewer shareholders with larger amounts to invest.

At the end of 1989, of the $358.7 billion in assets, $155.3 billion or 43 percent were in broker/dealer funds. General purpose funds had $119.1 billion and institutional funds had $84.3 billion, 33 percent and 24 percent respectively.

Shareholder accounts in money market mutual funds have reached a new record of 20.2 million. Broker/dealer funds held the highest percentage of accounts—67 percent—while general purpose funds accounted for 32 percent. As noted earlier, institutional funds are composed of a smaller number of accounts with larger account balances. These funds represent 1 percent of all money market fund accounts.

As money market mutual funds enjoyed enormous growth, assets of their tax-exempt counterparts, short-term municipal bond funds, also increased. Introduced in 1979, and with assets of $0.3 billion at the end of that year, these funds ended 1989 with $69.4 billion in assets. The 6 percent rise over last year's assets is comparable to growth in these funds during the late 1980s. Part of the appeal of these funds (sometimes called tax-exempt money market funds) is the combination of standard money market fund features with the bonus of tax-free income. While the lower income tax rates imposed by the Tax Reform Act of 1986 undoubtedly diminished some investor interest, short-term municipal bond funds remained attractive to investors subject to the top marginal tax rate of 33 percent.

The continued growth in accounts of short-term municipal bond funds demonstrates the appeal they have for investors. Total accounts rose in 1989 to 1,140,963, compared with 920,089 in 1988, indicating that they are a significant product in the diverse mutual fund marketplace.

The Retirement Market

Mutual funds are especially compatible with the long-term objectives of saving for retirement because:

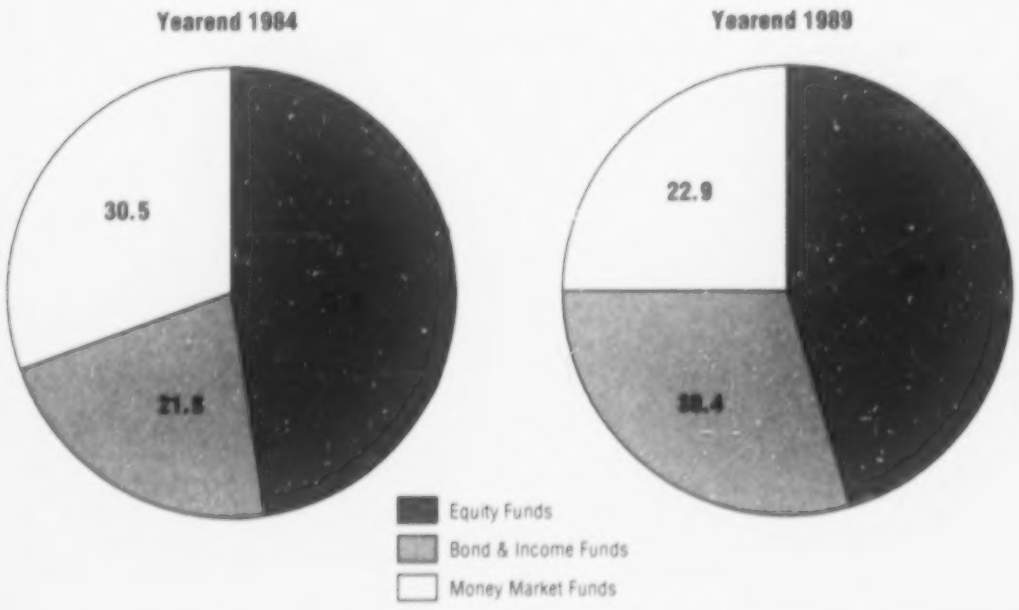
- There is a fund to match any long-term objective and risk/reward preference.
- Families of funds provide great flexibility through the exchange feature, enabling shareholders to adjust their holdings to economic conditions as well as to changes in their personal financial circumstances.
- Mutual funds work best over long periods of time, when allowed to ride out the ups and downs of market cycles.
- Funds provide a wide range of services, such as automatic withdrawal plans and complete recordkeeping. (See box on page 56 for descriptions of various retirement plans.)

IRAs

The Individual Retirement Account (IRA) market has rapidly grown to command the largest share of the mutual fund industry's retirement assets.

IRA Assets by Type of Fund

(percentages)



Although the Tax Reform Act of 1986 modified the ground rules for IRAs, they are still a strong mutual fund market.

In 1981, before IRAs were liberalized to allow all working Americans to create do-it-yourself retirement programs, mutual funds had only $2.6 billion of assets in 500,000 IRA accounts. By the end of 1989, mutual fund IRA assets had jumped to $111.8 billion in 17.1 million accounts. Compared to 1988, mutual fund IRA assets increased by $25.8 billion, or 30 percent, and the number of accounts grew by almost 1,500,000. This growth is significant. In 1988, mutual fund IRA assets increased by 19 percent, from $72.2 billion in 1987 to $86 billion at yearend 1988, and accounts grew by only 700,000.

Of the industry's $111.8 billion in IRA assets, $52.2 billion or 46.7 percent of assets were in equity funds $34.0 billion or 30.4 percent of IRA assets were in bond and income funds, and $25.6 billion or 22.9 percent were in money market funds. These figures indicate a shift in IRA assets from bond and income funds to money market funds which may be attributed to the relatively high yields money market mutual funds offered shareholders in 1989. In 1988, bond & income funds held 34 percent of IRA assets while money markets held 20 percent.

Of the 17.1 million mutual fund IRA accounts at yearend 1989, equity funds had 8.1 million, bond and income funds had 4.1 million, and money market funds had 5.0 million. At the end of 1981, when IRAs were liberalized, only 1 percent of all mutual fund assets were held in IRA accounts. At the end of 1989, that share had grown to 11.4 percent. In addition, 29.4 percent of all mutual fund accounts are IRA accounts. (Some IRA mutual fund shareholders hold multiple accounts.)

At the end of 1981, when all Americans with earned income became eligible for IRAs, mutual funds accounted for 9.9 percent of all IRA assets in the marketplace. Growth in

Estimated Value of IRA Plans
(value in billions of dollars/percent market share)

	1986		1987		1989	
Commercial Banks	$51.5	28.2%	$77.0	23.1%	$98.9	21.3%
Thrifts	56.4	32.8	77.1	23.1	97.5	21.0
Life Insurance Co.	16.9	9.5	26.0	7.8	49.0	10.5
Credit Unions	13.9	5.9	22.6	6.8	26.2	5.6
Mutual Funds	31.6	12.5	72.2	21.6	111.8	24.0
Self-directed	29.4	11.1	58.9	17.6	82.0	17.6
Total IRA $ Value	**$277.1**	**100.0%**	**$333.8**	**100.0%**	**$465.4**	**100.0%**

mutual fund IRA assets since that time occurred at a greater rate than growth in competing investments, resulting in an increased share of the IRA market for mutual funds. Mutual funds in 1989 accounted for about 24 percent of the total IRA market.

The Tax Reform Act of 1986 brought significant changes to IRAs (see boxed section in this chapter on page 56). Nevertheless, about 87 percent of American households are still able to take a full or partial IRA deduction. For instance, any individual who is not covered by an employer-provided pension plan, and whose spouse is not covered by an employer-provided pension plan, can take the full IRA deduction without regard to the amount of earned income. Furthermore, the tax deferral that IRAs provide is a powerful wealth-building tool. Other positive factors that will affect the mutual fund IRA market in the future include the large number of outstanding IRA accounts held elsewhere whose owners may turn to mutual funds for improved performance, the benefit of professional money management, and the convenience of recordkeeping that funds offer IRA shareholders. Thus, IRAs should continue to be an important market for mutual funds in the post-tax reform environment.

Retirement Plans for the Self-employed

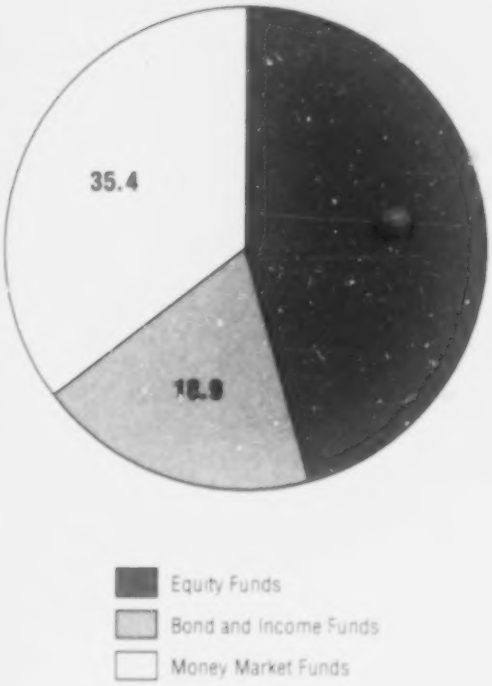
Mutual funds, traditionally holding close to a third of the market for retirement plans for the self-employed (also

Mutual Fund IRAs by Investment Objective

Investment Objective	Percent of Assets as of 12/31/89
Aggressive Growth	9.6%
Growth	10.9
Growth & Income	15.4
Precious Metals	0.8
International	1.3
Global Equity	2.8
Income-equity	5.1
Option/Income	0.7
Flexible Portfolio	1.2
Balanced	2.1
Income-mixed	2.1
Income-bond	1.0
U.S. Government Income	11.0
Ginnie Mae	4.5
Global Bond	0.2
Corporate Bond	2.1
High-yield Bond	5.5
Money Market	22.9

Self-employed Retirement Plan Assets by Type of Fund Yearend 1989

(percentages)



known as Keogh plans), had 801,000 of these accounts under management at the end of 1989. These plans totaled $12.9 billion in assets.

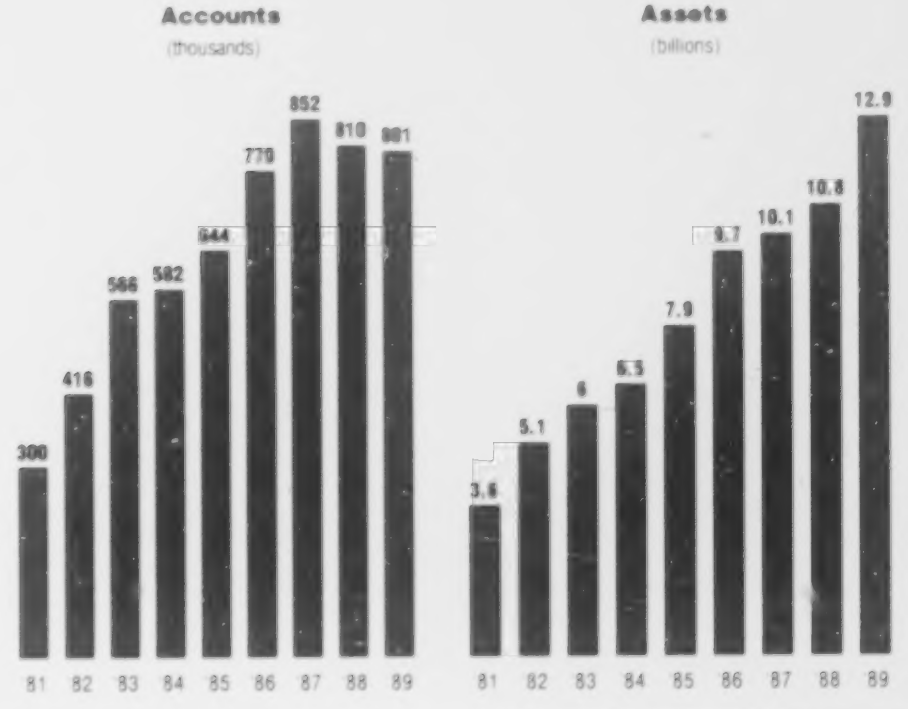
As the accompanying chart illustrates, 45.7 percent of these retirement plan assets managed by mutual funds were in equity funds, money market mutual funds accounted for 35.4 percent, and bond and income funds had 18.9 percent of assets. These figures indicate that retirement plans have shifted assets from bond and income mutual funds to money market mutual funds. In 1988, 22.0 percent of self-employed retirement plan assets were in bond and income funds, 30.7 percent were in money market mutual funds, and 47.3 percent were in equity funds.

Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds Yearend 1989

(billions of dollars)

Growth in Mutual Fund IRA Plans - 1989

Growth in Mutual Fund Self-employed Retirement Plans - 1989



Retirement Plans

Federal income tax laws permit the establishment of a number of types of retirement plans, each of which may be funded with mutual fund shares.

Individual Retirement Accounts
All wage-earners under the age of 70½ may set up an Individual Retirement Account (IRA). The individual may contribute as much as 100 percent of his or her compensation each year, up to $2,000. Earnings are tax-deferred until withdrawal. The amount contributed each year may be wholly or partially tax-deductible. Under the Tax Reform Act of 1986, all taxpayers not covered by employer-sponsored retirement plans can continue to take the full deduction for IRA contributions. Those who are covered, or who are married to someone who is covered, must have an adjusted gross income of no more than $25,000 (single) or $40,000 (married, filing jointly) to take the full deduction. The deduction is phased out for incomes between $25,000 and $35,000 (single) and $40,000 and $50,000 (married, filing jointly). An individual who qualifies for an IRA and has a spouse who either has no earnings or elects to be treated as having no earnings, may contribute up to 100 percent of his or her income or $2,250, whichever is less.

Simplified Employee Pensions (SEPs)
SEPs are employer-sponsored plans that may be viewed as an aggregation of separate IRAs. In a SEP, the employer contributes up to $30,000 or 15 percent of compensation, whichever is less, to an Individual Retirement Account maintained for the employee.

Section 403(b) Plans
Section 403(b) of the Internal Revenue Code permits employees of certain charitable organizations and public school systems to establish tax-sheltered retirement programs. These plans may be invested in either annuity contracts or mutual fund shares.

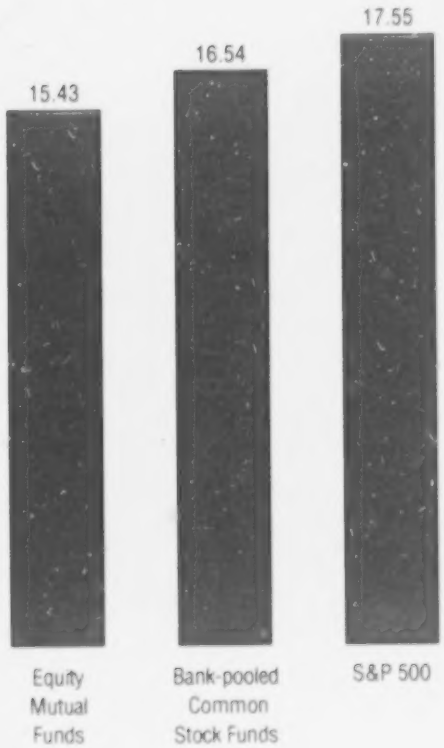
Section 401(k) Plans
One particularly popular type of plan which may be offered by either corporate or noncorporate entities is the 401(k) plan. A 401(k) plan is a tax-qualified profit-sharing plan that includes a "cash or deferred" arrangement. The cash or deferred arrangement permits employees to have a portion of their compensation contributed to a tax-sheltered plan on their behalf or paid to them directly as additional taxable compensation. Thus an employee may elect to reduce his or her taxable compensation with contributions to a 401(k) plan where those amounts will accumulate tax-free. The Tax Reform Act of 1986 established new, tighter antidiscrimination requirements for 401(k) plans and curtailed the amount of elective deferrals which may be made by all employees. Nevertheless, 401(k) plans remain excellent and popular retirement savings vehicles.

Corporate and Self-employed Retirement Plans
Tax-qualified pension and profit-sharing plans may be established by corporations or self-employed individuals. Changes in the tax laws have made retirement plans for employees of corporations and those for self-employed individuals essentially comparable. Contributions to a plan are tax-deductible and earnings accumulate on a tax-sheltered basis.

The maximum annual amount which may be contributed to a defined contribution plan on behalf of an individual is limited to the lesser of 25 percent of the individual's compensation or $30,000.

Comparative Equity Performance Annualized Ten-year Total Return

(Period Ending December 31, 1989)
(percentages)



Source: *ICI monthly asset weighted average equity fund performance and the S&P 500 returns are compiled by Lipper Analytic Services. The bank-pooled common stock fund weighted returns from data are compiled by CDA, Inc.*

The self-employed retirement plan market has become increasingly important since the liberalization of the tax laws in 1982. This change eliminated most of the distinctions between corporate plans and plans maintained for the self-employed, and allowed self-employed individuals to put away the lesser of 25 percent of income or $30,000.

Although the law no longer distinguishes between plans for the self-employed and corporate pension plans, many new restrictions apply to any plan which is a "top-heavy" plan, i.e., a plan under which a substantial portion of the benefits accrue on behalf of certain key employees of the employer. Many Keogh plans are treated as "top-heavy" plans subject to the aforementioned restrictions. Many mutual fund complexes offer prototype "top-heavy" plans that comply with all of the new provisions of law.

Corporate Plans

In recent years, mutual funds have made substantial progress in attracting corporate pension and profit-sharing accounts. Corporate plan sponsors have come to appreciate the built-in advantages mutual funds can offer their plans. Mutual funds give them access to top professional money managers, instant diversification, a portfolio managed according to a well-defined philosophy and policy, liquidity, and ease of administration.

Institutional Markets

Perhaps more than most other investments, mutual funds are especially important to small investors. The modest initial investment requirements, plus investors' ability to add relatively small amounts to their accounts at regular intervals help explain why mutual funds are so popular to this group. Outstanding investment performance, diversification, and other services available through mutual funds, however, also attract fund investors in middle- and upper-income brackets. But these groups are not alone in their enthusiastic embrace of mutual funds. Increasingly, institutions are turning to mutual funds as an investment option.

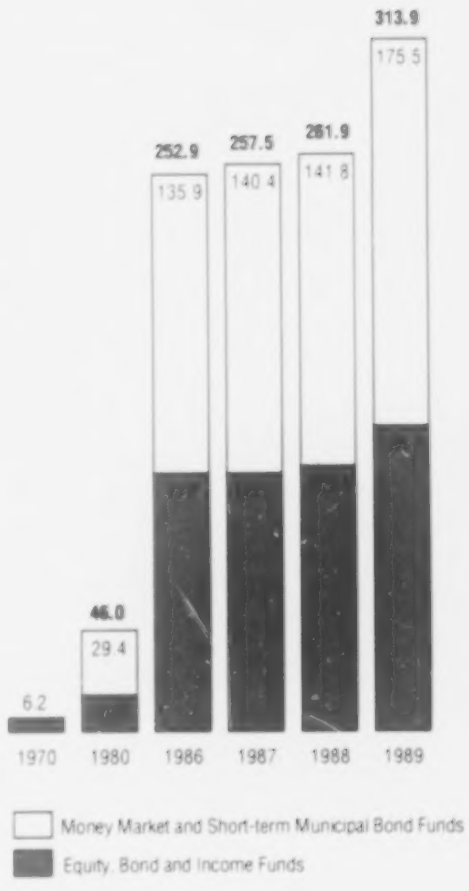
Banks and other fiduciaries, business corporations, employee pension and profit-sharing plans, insurance companies, and foundations are among the institutions utilizing mutual funds. As the accompanying chart shows, the value of institutional assets under management has risen from about $6.2 billion in 1970 to $313.9 billion at the end of 1989.

Since this rate of growth has been much more rapid than the expansion of assets owned by individuals, institutional assets now account for a much larger share of total mutual fund assets. Between the end of 1960 and the end of 1989, the share of total assets accounted for by institutions rose from 10.6 percent to 32.0 percent. Part of the reason for the acceleration in institutional activity has been the expansion of money market funds, which were first offered in the mid-1970s.

Institutional assets represented 42.5 percent of total money market fund assets at the end of 1989. Reflecting the overall changed economic climate in 1989 and its effect on asset

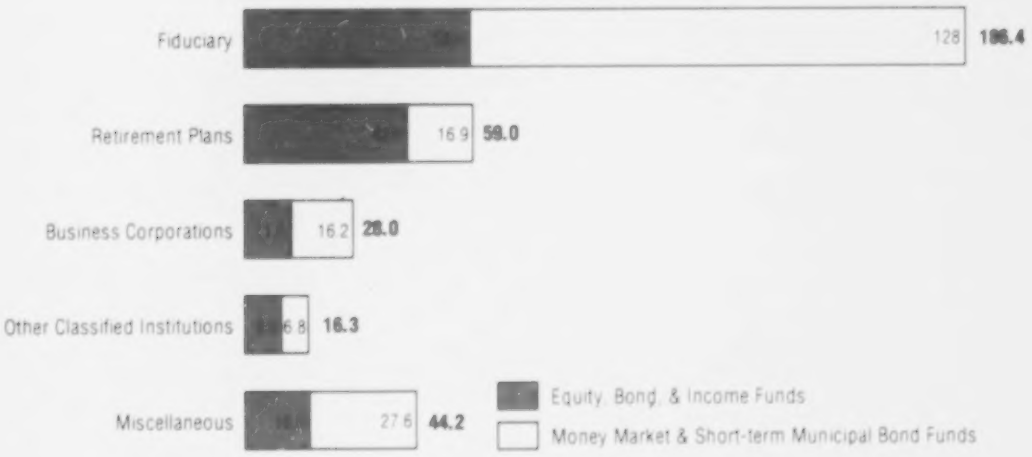
Total Institutional Assets in Mutual Funds

(billions of dollars)



Institutional Assets by Type of Institution - 1989

(billions of dollars)



levels in general, institutional assets in money market funds rose in 1989 to $152.5 billion from $117.0 billion in 1988.

Similarly, institutional assets in stock, bond, and income funds were higher in 1989 with $138.4 billion, up from $120.1 billion at yearend 1988. Total assets of these funds increased at a greater rate, which resulted in a small decline in the share of assets held by institutions. At the end of 1989, 25.0 percent of total assets were held by institutions, down very slightly from the 25.4 share they represented at the end of 1988.

The number of institutional accounts has expanded over the years along with the rise in assets. In 1960, there were only about 347,000 accounts on the books. At the end of 1989, institutional accounts totaled 7.1 million. Since many of these are pooled accounts, the number of fund customers linked to institutions is even larger.

The institutional market is complex and includes a number of submarkets, each of which has many unique characteristics. By far, the largest such market is the fiduciary group, which has over 50 percent of all institutional assets and accounts.

At the end of 1989, fiduciary accounts of all types of funds numbered about 3.7 million and had an estimated total value of $186.5 billion.

The fiduciary market is composed of at least two broad segments: bank trusts and individuals serving as trustees, guardians, and administrators. The former market is served mainly by the money market funds, while the latter is primarily the province of all other types of funds. This distinction is evident from the fact that the average-size fiduciary account associated with money market funds is much larger than stock, bond, and income funds.

Other statistical details relating to the institutional market are contained in tables presented in the data section of the Fact Book.

Mutual Funds: A Global Perspective

The extraordinary growth of the mutual fund industry in the past decade has not been limited to the United States. Assets of mutual funds worldwide have similarly increased during this period. Estimates of total mutual fund assets outside the U.S. place the yearend 1988 figure at over $850 billion, compared to only $141 billion five years earlier. Data in the accompanying table indicate that this growth has continued in 1989.

While part of this growth reflects a growing world economy, it is also attributable to the worldwide acceptance of pooled, managed investments.

Investors in other countries share the same basic needs and desires as U.S. investors. Families need to plan for retirement, educate their children, and improve their living standards. These common needs have led millions of investors to mutual funds. In many countries, the rate of growth in mutual funds in recent years has outstripped the growth rate of all other forms of investments by individuals. More and more U.S. fund managers are recognizing the attractive potential markets that may become available in a number of other countries if reciprocal sales agreements are developed.

Canada

Canada may be the easiest place for fund managers to begin exploring the foreign market potential. The common language, geographic proximity, similar fund structure, and tax incentives for investing suggest an important marketing opportunity. Currently, the Canadian fund industry has assets totaling $20 billion, with 2.6 million accounts. About half of these assets are invested in common stocks.

Recently, there have been encouraging developments toward a reciprocal opening of U.S. and Canadian markets. While current U.S.-Canadian proposed agreements on multijurisdictional disclosure exclude investment company securities, they should be able to serve as models for multijurisdictional sales agreements of investment company securities in the future. These proposals call for a common disclosure system combined with individual jurisdictional responsibility for antifraud enforcement. More needs to be done, however, to obtain equitable tax treatment that will allow U.S. and Canadian investment company shares to be marketed throughout both countries.

The Pacific Rim

The Pacific Rim is another potential market for U.S. mutual funds. However, this is not a homogeneous market, and fund managers will have to do extensive research to understand the regulatory environment as well as the marketing opportunities or limitations.

The market of greatest interest is Japan, in view of the economic strength of the country, the widely publicized savings rate of the Japanese population, and the accumulated mutual fund assets of over $400 bil-

lion at the end of September 1989. However, as a practical matter, public offerings in Japan must still receive government approval which is difficult to obtain. Even if this obstacle can be overcome, the fairly closed system for distribution presents an essentially impenetrable barrier to U.S. mutual funds at this time.

The European Community (EC)

The implementation of an EC Directive known as Undertakings for Collective Investment in Transferable Securities, or UCITS, in October 1989, has generated much interest in the EC by U.S. fund managers. This Directive facilitates the cross-border marketing of mutual fund shares within the EC by permitting funds registered under the Directive in one EC country to offer its shares for sale in other EC countries without duplicative registration. The Directive establishes a common regulatory scheme regarding investment policies, public disclosure, structure, and control.

Common tax treatment, however, has not been addressed by UCITS or elsewhere. In addition, the Directive does not address marketing practices, and each country retains authority over the marketing of any mutual fund shares.

While there may be no legal inhibitions against a foreign fund marketing its shares in a particular jurisdiction, there may be de facto barriers of custom and administrative practice which can impede foreign funds' access to that market. The Directive does set forth the principle that host country regulation of marketing and advertising cannot discriminate against funds of other member EC states. It may well be that once UCITS is fully implemented, competitive forces will compel changes in local marketing and distribution practices and regulation.

To function within the framework of UCITS, fund managers must register a new fund in an EC member nation that has enacted the appropriate legislation for the Directive. The two most common locations to date are Luxembourg and Ireland. Generally, some administrative functions of the fund must be located within that jurisdiction. Once registered, the fund manager then must seek appropriate distribution channels in the countries selected for marketing.

Prior to the implementation of UCITS, and still an option today, is registering an existing U.S. fund in a specific European country for marketing only in that country. However, such a fund must comply with the domestic law of the country it seeks to enter, not with UCITS standards . This approach does not allow the flexibility of marketing in the other countries of the European Community.

Europe consists of some of the most affluent and financially sophisticated markets in the world and contains 320 million consumers. The aggregate assets held in mutual funds in the EC totaled $400 billion in 1989. However, it is not a homogeneous market.

For example, the mutual fund industry in West Germany is nearly 90 percent concentrated in debt instruments, and shares are sold primarily through banks, which also serve as the sponsoring organization. Investors in Germany value the personal advice and trust that banks offer, and there is resistance to certain kinds of sales methods.

In France, the EC country with the largest pool of mutual fund assets, one fourth of those assets are invested in money market instruments while over half are invested in debt instruments. As with Germany, fund shares are sold to customers predominantly by banks.

The Italian market appears to be more open in terms of both risk

Assets of Open-end Investment Companies

(millions of U.S. dollars)

	1983	1984	1985	1986	1987	1988	1989
W. Germany	$12,060	$12,340	$20,570	$31,426	$42,256	$62,349	$57,300[B]
Belgium	1,250	1,520	2,840	5,255	7,397	4,754	4,300[A]
Denmark	60	1,090	2,500	4,304	N/A	N/A	N/A
France	32,780	45,220	84,600	152,951	204,000	181,810	197,100[B]
Great Britain	16,800	17,500	29,360	51,272	67,937	76,705	86,900[B]
Ireland	N/A	N/A	N/A	N/A	N/A	N/A	5,000[A]
Italy	1,750	2,800	16,290	47,122	50,844	40,158	45,420
Netherlands	6,200	5,750	9,090	12,909	15,500	N/A	N/A
Japan	60,780	73,200	99,020	197,144	318,829	433,940	409,174[B]
Korea	4,989	5,757	7,134	10,352	13,578	20,918	26,000[B]
India	N/A	N/A	N/A	N/A	N/A	17,000	N/A
Canada	4,677	5,072	7,402	12,626	15,562	17,200	19,700[B]
Australia	N/A	N/A	3,300	4,100	6,900	12,180	14,275[A]
Total Other Countries	**$141,336**	**$170,249**	**$292,106**	**$528,461**	**$743,782**	**$857,014**	**$867,169**
USA							
(long-term)	$113,600	$137,200	$251,700	$424,200	$453,800	$472,300	$553,900
(short-term)	179,300	233,500	243,800	292,100	316,100	338,000	428,100
Total USA	**$292,900**	**$370,700**	**$495,500**	**$716,300**	**$769,900**	**$810,300**	**$982,000**
Total	**$434,236**	**$540,949**	**$777,606**	**$1,245,761**	**$1,512,682**	**$1,667,314**	**$1,849,169**

[A] = June 1989

[B] = September 1989

tolerance as well as distribution. Fund shares in Italy are sold not only through banks but also through sales networks which generally are a separate company of agents selling the funds of one organization. Frequently, sales are made through a combination of these sales networks and banks.

The industry in the United Kingdom (U.K.) more closely parallels the U.S. in terms of investments and distribution. The U.K. has more stock funds than other European markets, suggesting a higher risk tolerance in this marketplace. The distribution is more varied than in the rest of the EC, with independent intermediaries accounting for the largest share of distribution, about 40 percent. Insurance companies also play a significant role, and a smaller but important role is played by direct sales and banks.

To facilitate the cross-border marketing of existing funds, the invest-

ment Company Institute has been engaged in discussions with European fund industry representatives over the past two years to explore the possibility of using UCITS as a basis for developing a reciprocity agreement between the EC and the U.S. As the global evolution of financial services proceeds with increasing rapidity, it is important that fund organizations monitor events that are taking place and consider their impact on the mutual fund industry in general, as well as on their own organization. As the major differences in the regulatory schemes are identified and resolved, the resulting global market will benefit not only the mutual fund industry, but, more important, the worldwide investing public.

Mutual Fund Ownership

Mutual funds have become the investment choice of a growing number of households in the United States. Fueled by changes in the financial climate during the decade such as inflation, interest rate fluctuation, and especially, the dynamics of the securities market, mutual funds have grown both in number and popularity. As households have adapted their financial asset composition to the economic environment, mutual funds have increased their market share as investment alternatives. The table below highlights the proportion of all household financial assets held in mutual funds and shows a growth from 1.8 percent in 1981 to 6.1 percent in 1989.

Increased demand for mutual funds has resulted not only from these market changes but also from the public's increased awareness of funds.

Industry research shows that the awareness of mutual funds among all U.S. households has expanded significantly since 1980, resulting in funds becoming a household word among the investing public. Figure 2 depicts the growth of fund ownership

Distribution of Household Financial Assets

(percentages)

	12/80	12/85	9/89
Deposits—Banks & Thrifts	23.1	23.5	21.4
Bonds, Mortgages & Other Credit Institutions	8.4	10.6	12.6
Corporate Equities Other than Mutual Funds	17.0	17.0	15.3
All Mutual Funds	1.8	4.2	6.1
Pension Funds	14.0	18.2	21.8
Life Insurance Reserves	3.3	2.6	2.6
Other	32.4	23.9	20.2
	100.0	100.0	100.0
Total Household Financial Assets (billions)	($6,540.9)	($9,904.5)	($13,391.2)

Source: Federal Reserve Board

Figure 1

More U.S. Households Own Mutual Funds

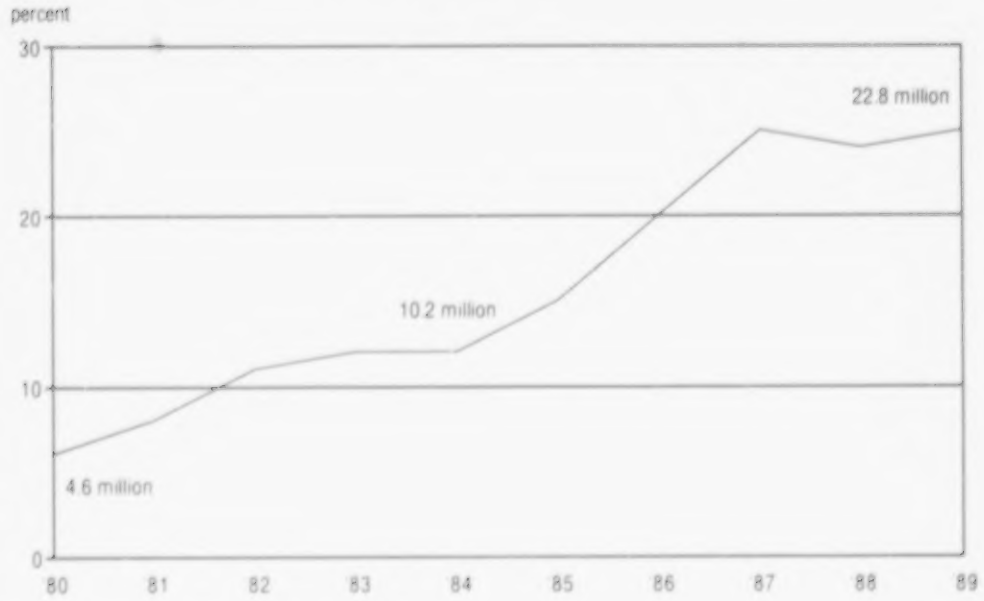
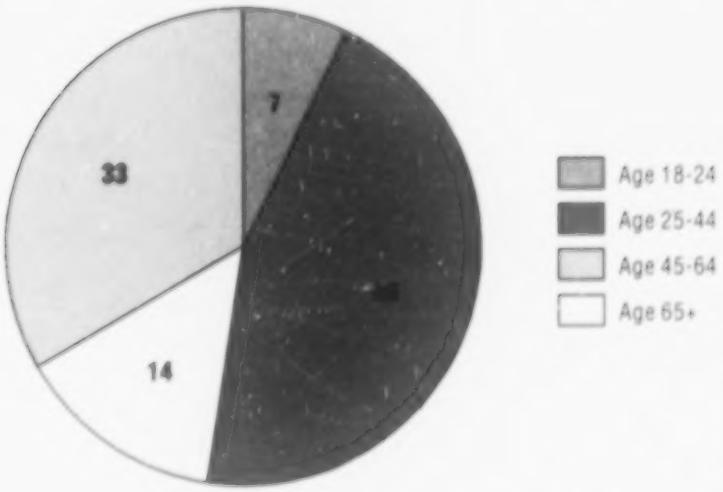


Figure 2

Age Distribution of Fund Owning Households — 1989*



*Age of head of household, 18 years or older

Figure 3

among U.S. households from 1980, when 6 percent of households owned funds, to 1989, when 25 percent of households owned them.

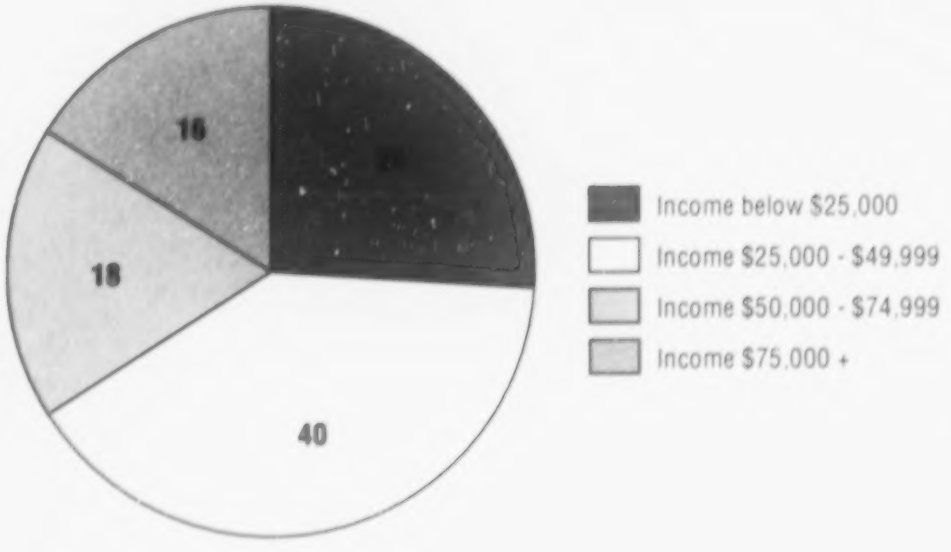
The steepest growth of household ownership occurred during 1985-1987, reflecting the boom in securities markets over this period. Volatility in both the stock and bond markets in 1987 led to a period of lower fund sales in 1988, but ownership levels reached a new high in 1989, when 22.8 million households owned mutual funds. This figure includes ownership of money market, stock, bond, and income mutual funds as well as ownership of mutual fund IRA or Keogh accounts. The one percent decline in ownership in 1988 indicates that the industry did not experience a permanent or significant loss of assets from redemptions during 1988, but rather that shareholders maintained and then increased their investments in mutual funds in 1989.

All age groups invest in mutual funds. The industry's 1989 data indicate that ownership of mutual funds is almost as prevalent among households where the head of household is less than 45 years of age as households where the head is older than 45 years.

Figure 3 identifies this distribution. The proportion of households where the head of household is under 45 years of age and owns mutual funds represents just over 10 million households. This suggests an interest in funds among younger investors that is encouraging to the industry and is one of several factors that points to continued industry growth.

It is interesting to note that while over one fifth of all U.S. households have a head of household 65 years or older, only 14 percent of mutual-fund-

Income Distribution of Fund Owning Households — 1989*



* 1988 total household income before taxation

Figure 4

owning households (3.2 million) are within this age group. The lower proportion of fund-owning households in this older age category could reflect a decline in investments held in postretirement years, or it could signify that this age group made major investments before mutual funds gained recognition as a widely used investment vehicle.

Mutual funds are an investment vehicle for any household with discretionary assets. The distribution of fund ownership across income categories of households reveals that 26 percent (5.9 million households) of mutual-fund-owning households have an annual household income of $25,000 or less. This income bracket, which may include many retired households, accounts for nearly one half of all U.S. households.

At the other end of the spectrum, 16 percent (3.6 million) of households owning mutual funds have an annual income greater than $75,000. Only 5.5 million of all U.S. households are included in this category.

Profile of 1989 Fund Owner*

Median Age	44
Median Income	$ 45,000
Average Financial Assets	$117,000
Percentage:	
Employed (full or part-time)	73%
Retired	22%
Married	60%
Dual Income Household	41%
With Money in Any IRA	70%

* Includes owners of money market mutual funds, stock, bond & income funds, and IRA and Keogh Funds

Figure 5

The ICI 1989 study of U.S. households also produced a profile of the main characteristics of heads of households owning mutual funds. These findings are summarized in Figure 5.

Marketing to the Needs of Shareholders

The 1980s have been a decade of economic and financial growth. For the consumer, this has meant having more money available to spend and more to invest as well. As sales and asset figures illustrate, the demand for mutual funds has increased dramatically over the past decade. As a result, mutual fund companies have sought to reach new investors, many of whom are aware of mutual funds.

One approach some mutual fund companies have taken is to diversify the channels they use to sell funds to the public. Traditional channels of distribution used by funds have been sales force marketing or marketing directly to the investor. Currently, these channels include more distinct categories such as broker/dealers, insurance agents, financial planners, captive sales forces, and deposit institutions.

Basic Needs of Shareholders Which Impact Their Choice of a Point of Purchase

- Need for Personal Guidance
- Time Sensitivity of Completed Transactions
- Self-reliance in Investment Decisions
- Comfortable Knowledge Level of Mutual Funds
- Trust of an Adviser
- Need for Personal Contact
- Security of Payments in Transactions
- Fee Sensitivity

Figure 1

To understand the way investors purchase funds and to identify the main factors that determine the purchaser's selection of a distribution channel, the Investment Company Institute conducted an extensive study of recent buyers of mutual funds. (Recent buyers are defined as fund owners who purchased long-term mutual funds between January 1984 and January 1988.) This information helps fund companies develop investment education programs and design products and services that more closely match the needs of current and future shareholders.

The Institute's study sought to understand why individuals use a particular channel to purchase mutual funds. In other words, the study was designed to learn why some people buy mutual funds from broker/dealers, while others buy mutual funds from deposit institutions or directly from funds.

The research identified the basic needs that drive shareholders to purchase mutual funds from the channels they choose. These needs, identified with fund owners themselves, are listed in Figure 1. Shareholders sometimes respond to these needs

Seven Basic Groups of Mutual Fund Buyers

(percentages of all recent buyers)

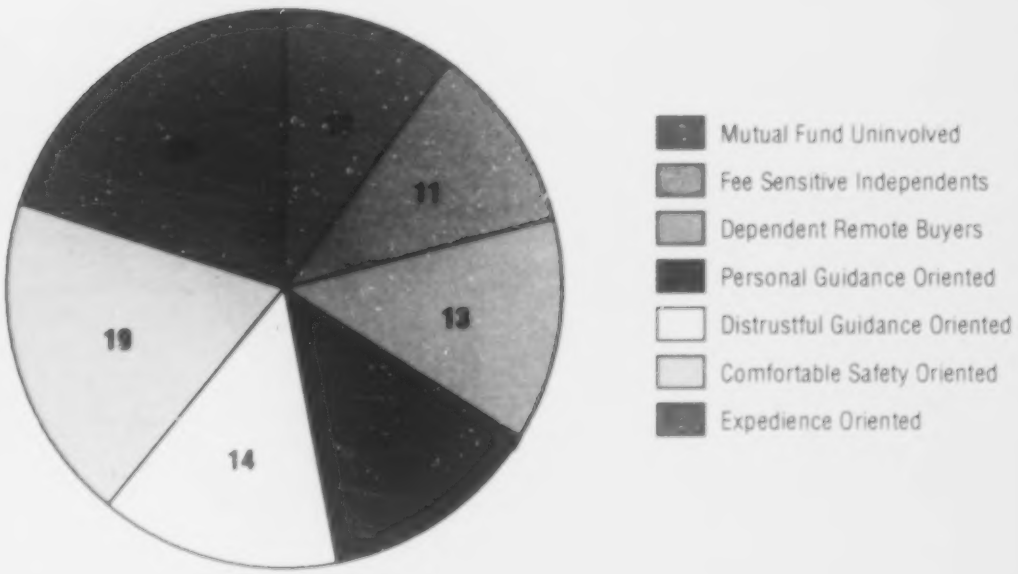


Figure 2

consciously and sometimes they respond without rationalizing their actions at all.

The research grouped the survey respondents, recent fund buyers, by profile and according to the needs they had in common. From this grouping seven market segments resulted, each distinct from the others. Names were assigned to these groups to describe their most prominent characteristics.

These groups are identified in Figure 2, which depicts the proportion of each group in the total market of fund shareholders. A fund company may very likely have more than one segment among its customer base. Therefore, market planning for any one fund can take into account the special characteristics of the groups that are predominant.

Figure 3 compares financial characteristics of each of the segments. The financial profiles of individuals belonging to each group, along with knowledge of their demographics, the media that serve as sources of investment information, and their expectations of a distribution channel help identify the groups that have the potential to be a sound customer base for a fund.

For example, the Personal Guidance Oriented investor accounts for 13 percent of the total market. These investors are characterized by their desire for personal contact in making investments and by their need for guidance in this process. Consequently, they usually prefer to work with a broker/dealer, a financial planner, or a bank when purchasing mutual funds. In addition, personal guidance oriented investors are regular readers of the local paper as well as the sunday paper for investment information. These investors have higher incomes on average

than other segments, and few are retired. The data in Figure 3 indicate that financially, this group is an attractive market for investment products, and particularly, for mutual funds.

Needs Segments Are Attractive Target Markets for Funds

Needs Segments	Average Financial Assets	Average 4-year* Total Investment	Percent of 4-year Investment in Funds	Number of Funds Owned	Average % Assets in Funds	% Assets in Banks
Expedience Oriented	$ 93,600	$37,600	66%	2.1	21%	36%
Fee Sensitive Independents	159,600	67,600	39	3.2	21	26
Dependent Remote Buyers	123,300	59,200	41	2.5	22	37
Personal Guidance Oriented	162,400	62,800	71	2.6	25	30
Distrustful Guidance Oriented	72,700	28,400	50	2.1	12	46
Comfortable Safety Oriented	99,100	27,200	54	3.6	20	40
Mutual Fund Uninvolved	71,800	24,500	59	1.9	17	41
All Recent Buyers	109,600	46,800	49	2.6	20	37

* January 1984 to January 1988

Figure 3

Glossary of Mutual Fund Terms

(For explanation of types of funds, see pages 17-18; for retirement plans, see page 56.)

Adviser
The organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices (also called "investment adviser").

Asked or Offering Price
(As seen in some mutual fund newspaper listings.)
The price at which a mutual fund's shares can be purchased. The asked or offering price means the current net asset value per share plus sales charge, if any.

Automatic Reinvestment
An option available to mutual fund shareholders in which fund dividends and capital gains distributions are automatically plowed back into the fund to buy new shares and thereby increase holdings.

Bid or Redemption Price
(As seen in some mutual fund newspaper listings.)
The price at which a mutual fund's shares are redeemed (bought back) by the fund. The bid or redemption price usually equals the current net asset value per share.

Broker/Dealer (or Dealer)
A firm that buys and sells mutual fund shares and other securities to the public.

Capital Gains Distributions
Payments to mutual fund shareholders of profits realized on the sale of securities in the fund's portfolio. These amounts are usually distributed to shareholders annually.

Capital Growth
An increase in market value of a mutual fund's securities, as reflected in the net asset value of fund shares. This is a long-term objective of many mutual funds.

Captive (or Dedicated) Sales Force
see Sales Force Marketing.

Closed-end Investment Company
Unlike mutual funds (known as "open-end" investment companies), closed-end companies issue a limited number of shares and do not redeem them (buy them back). Instead, closed-end shares are traded in the securities markets, with supply and demand determining the price.

Contingent Deferred Sales Charge (CDSC)
A fee imposed when shares are redeemed (bought back by the fund) during the first few years of share ownership.

Contractual Plan
A program for the accumulation of mutual fund shares in which the investor agrees to invest a fixed amount on a regular basis for a specified number of years. A substantial portion of the sales charge applicable to the total investment is usually deducted from early payments.

Custodian
The organization (usually a bank) that keeps custody of securities and other assets of a mutual fund.

Direct Marketing
A method of distribution whereby funds sell their shares directly to the public without the intervention of a salesperson. Investors purchase fund shares through the mail or by telephone in response to advertising or direct solicitation.

Diversification
The mutual fund policy of spreading its investments among a number of different securities to reduce the risks inherent in investing. The average investor would find it difficult to amass a portfolio as diversified as that of a mutual fund.

Dollar-cost Averaging
Investing equal amounts of money at regular intervals regardless of whether securities markets are moving up or down. This practice reduces average share costs to the investor who acquires more shares in periods of lower securities prices and fewer shares in periods of higher prices. Unlike a contractual plan, dollar-cost averaging is voluntary.

Exchange Privilege
Enables mutual fund shareholders to transfer their investment from one fund to another within the same fund family as shareholder needs or objectives change. Usually funds let investors use the exchange privilege several times a year for a low or no fee per exchange.

Income Dividends
Payments to mutual fund shareholders of dividends, interest, and/or short-term capital gains earned on the fund's portfolio of securities after deducting operating expenses.

Investment Adviser
See Adviser.

Investment Company
A corporation, trust, or partnership which invests pooled funds of shareholders in securities appropriate to the fund's objective. Among the benefits of investment companies are professional management and diversification. Mutual funds (open-end investment companies) are the most popular type of investment company.

Investment Objective
The goal—such as long-term capital growth, current income, growth and income, etc.—which an investor or a mutual fund pursues. Each fund's objective is stated in its prospectus. (See pages 17-18 for explanations of each objective.)

Load—no-load, initial or front-end load, or back-end load.
See Sales Charge.

Long-term Funds
An industry designation for all funds other than short-term funds (money market and short-term municipal bond). The two broad categories of long-term funds are equity (stock) and bond and income funds.

Management Fee
The amount paid by mutual funds to their investment advisers. The average annual fee industrywide is about one-half of one percent of fund assets.

Money Managers
See Portfolio Managers

Mutual Fund
An investment company that pools money from shareholders and invests in a variety of securities, including stocks, bonds, and money market securities. A mutual fund stands ready to buy back (redeem) its shares at their current net asset value. The value of the shares depends on the market value of the fund's portfolio

securities at the time. Most mutual funds offer new shares continuously.

National Association of Securities Dealers, Inc. (NASD)
A self-regulatory organization for member securities brokerage firms with authority over the distribution of mutual fund shares.

Net Asset Value (NAV) per Share
The market worth of a mutual fund's total assets—securities, cash, and any accrued earnings—after deducting liabilities, divided by the number of shares outstanding. NAV is expressed as the value of a single share in the fund.

Open-end Investment Company
The statutory terminology for a mutual fund, indicating that it stands ready to redeem (buy back) its shares on demand.

Over-the-Counter Market
The market for securities transactions conducted through a communications network connecting dealers in stocks and bonds.

Payroll Deduction Plan
An arrangement some employers offer whereby employees may accumulate shares in a mutual fund. Employees authorize their employer to deduct a specified amount from their salary at stated times and transfer the proceeds to the fund.

Periodic Payment Plan
See Contractual Plan.

Portfolio Managers
Specialists employed by mutual fund companies to invest the pool of money in accordance with the fund's investment objectives.

Prospectus
The official booklet that describes a mutual fund. The prospectus contains information as required by the U.S. Securities and Exchange Commission on such subjects as the fund's investment objectives and policies, services, investment restrictions, officers and directors, how shares are bought and redeemed, fund fees and other charges, and the fund's financial statements. A more detailed document, known as "Part B" of the prospectus or the "Statement of Additional Information," is available at no charge upon request.

Redemption Price
The amount per share that mutual fund shareholders receive when they liquidate their shares (also known as the "bid price").

Reinvestment Privilege
A service provided by most mutual funds for the automatic reinvestment of shareholder dividends and capital gains distributions into additional shares.

Sales Charge
An amount charged to purchase shares in many mutual funds sold by brokers or other members of a sales force. Typically, the charge ranges from 4 to 8.5 percent of the initial investment. The charge is added to the net asset value per share when determining the offering price.

Some funds sold by brokers and other sales personnel no longer charge the initial or front-end load or sales charge; instead they charge an annual 12b-1 fee (see page 74), which may range up to 1.25 percent. In many cases, such funds also have a declining continent deferred sales charge or "back-end load"—i.e., a charge imposed when shares are redeemed—on shares that are sold during the first few years of ownership. Funds that are sold directly to investors charge small commissions, or none at all. The latter are referred to as "no-load" funds.

Sales Force Marketing
A method of distribution whereby funds sell their shares to the public

through sales professionals, such as brokers, financial planners, and insurance agents. Some fund organizations sell shares through a captive sales force—sales professionals employed by the fund organization to market only the shares of its associated funds.

Securities and Exchange Commission (SEC)
The primary U.S. federal agency that regulates investment companies.

Short-term Funds
An industry designation for money market and short-term municipal bond funds. Due to the special nature of these funds and the huge, continuous inflows and outflows of money they experience, they are rarely viewed in terms of sales figures, as long-term funds are. Tracking changes in total assets is usually the preferred method of following trends in short-term funds.

Single-state Funds
These funds, which may be short-term or long-term state municipal bond funds (see page 18) invest in the tax-exempt securities issued by governmental organizations of a single state. Investors in these funds who reside in that state receive earnings free from both federal and state taxes.

Tax-exempt Money Market Funds
Another name for short-term municipal bond funds, so called because they invest in money market securities issued by states and municipalities to finance public projects, as well as in other tax-exempt securities with short remaining maturities. Earnings from these funds are exempt from federal taxation.

Transfer Agent
The organization employed by a mutual fund to prepare and maintain records relating to the accounts of its shareholders.

12b-1 Fee
Fee charged by some funds and named after the 1980 Securities and Exchange Commission rule that permits them. Such fees pay for distribution costs such as advertising or for commissions paid to brokers. The fund's prospectus details 12b-1 charges, if applicable.

Underwriter
The organization that acts as the distributor of a mutual fund's shares to broker/dealers and investors.

Unit Investment Trust
An investment company that purchases a fixed portfolio of income-producing securities. Units in the trust are sold to investors by brokers.

Variable Annuity
An investment contract sold to an investor by an insurance company. Capital is accumulated, often through investment in a mutual fund, and converted to an income stream at a future date, perhaps retirement. Income payments vary with the value of the account.

Withdrawal Plans
A program in which shareholders receive payments from their mutual fund investments at regular intervals. Typically, these payments are drawn from the fund's dividends and capital gains distributions, if any, and from principal, as needed. Many mutual funds offer these plans.

Data

Table of Contents

Section I:
Industry Totals

Total Industry Net Assets 78
Total Industry Shareholder Accounts 79
Total Number of Funds 79

Section II:
Long-term Funds (Equity, Bond, and Income Funds)

An Overview: Shareholder Accounts, Total Net Assets, and Liquid Assets of Equity, Bond, and Income Funds 80
Type of Shareholder Accounts of Equity, Bond, and Income Funds 81

Assets

Total Net Assets of Equity, Bond, and Income Funds by Fund Characteristics 82
Liquid Assets of Equity, Bond, and Income Funds by Fund Characteristics 83
Total Net Assets of Mutual Funds by Investment Objective Within Method of Sales 84
Distribution of Mutual Fund Assets in Equity, Bond, and Income Funds 85

Sales, Redemptions, Net Sales

An Overview: Sales, Redemptions, and Net Sales of Equity, Bond, and Income Funds 86
Sales of Equity, Bond, and Income Funds by Fund Characteristics 87
Sales of Mutual Funds by Investment Objective Within Method of Sales 88
Sales and Reinvested Dividends by Fund Characteristics 89
Equity, Bond, and Income Funds' Distributions to Shareholders 90
Annual Redemption Rate for Equity, Bond, and Income Funds 91
Redemptions of Equity, Bond, and Income Funds by Fund Characteristics 92
Redemptions of Mutual Funds by Investment Objective Within Method of Sales 93

Geographical Sales Data for Long-term Funds (Equity, Bond, and Income Funds)
Sales of Equity, Bond, and Income Fund Shares by State and Geographical Region Within Method of Sales (in dollars) 94
Sales of Equity, Bond, and Income Fund Shares by State and Geographical Region Within Method of Sales (by percent of total) 96

Portfolio Purchases and Sales by Long-term Funds (Equity, Bond, and Income Funds)
Total Purchases, Total Sales, and Net Purchases of Portfolio Securities by Mutual Funds 98
Total Purchases, Total Sales, and Net Purchases of Common Stocks by Mutual Funds 99
Total Purchases, Total Sales, and Net Purchases of Securities Other Than Common Stocks by Mutual Funds 100
Portfolio Purchases and Sales by Fund Characteristics 101

Section III: Short-term Funds (Money Market and Short-term Municipal Bond Funds)
An Overview: Total Short-term Funds 102
An Overview: Money Market Funds 103
An Overview: Short-term Municipal Bond Funds 104

Assets
Money Market Fund Monthly Assets 105
Money Market Fund Asset Composition 106

Accounts
Money Market Fund Shareholder Accounts by Type of Fund 107

Section IV: Exchanges for All Funds
Sales Due to Exchanges by Investment Objective 108
Redemptions Due to Exchanges by Investment Objective 109
Net Sales Due to Exchanges by Investment Objective 110

Section V: Retirement Plans
IRA Assets and Accounts by Investment Objective 111
Self-employed Retirement Plan Assets and Accounts by Investment Objective 112

Section VI: Institutional Investors
An Overview: Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 113

Accounts

Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 114
Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds 115
Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 116
Number of Accounts of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds 117

Assets

Assets of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 118
Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds 119
Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 120
Assets of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds 121
Assets of Major Institutions and Financial Intermediaries 122

Total Industry Net Assets

(billions of dollars)

Year	Equity Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1975	$32.4	$9.8	$3.7	-	$45.9
1976	34.3	13.3	3.7	-	51.3
1977	30.0	15.0	3.9	-	48.9
1978	29.0	16.0	10.9	-	55.9
1979	32.5	16.5	45.2	0.3	94.5
1980	41.0	17.4	74.5	1.9	134.8
1981	38.4	16.9	181.9	4.2	241.4
1982	50.6	26.3	206.6	13.2	296.7
1983	73.9	39.7	162.6	16.8	293.0
1984	83.1	54.0	209.7	23.8	370.6
1985	116.9	134.8	207.5	36.3	495.5
1986	161.5	262.6	228.3	63.8	716.2
1987	180.7	273.1	254.7	61.4	769.9
1988	194.8	277.5	272.3	65.7	810.3
1989	249.1	304.8	358.7	69.4	982.0

Total Industry Shareholder Accounts

(millions)

Year	Equity* Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1975	9.7		-	-	9.7
1976	8.9		0.2	-	9.1
1977	8.5		0.2	-	8.7
1978	7.4	0.8	0.5	-	8.7
1979	5.6	1.9	2.3	-	9.8
1980	5.8	1.5	4.8	-	12.1
1981	5.7	1.5	10.3	-	17.5
1982	6.2	2.0	13.1	0.1	21.4
1983	8.9	3.2	12.3	0.2	24.6
1984	10.0	4.4	13.6	0.3	28.3
1985	11.5	8.3	14.5	0.5	34.8
1986	16.6	13.2	15.6	0.7	46.1
1987	21.4	15.5	16.8	0.8	54.5
1988	20.6	15.4	17.8	0.9	54.7
1989	21.1	15.8	20.2	1.1	58.2

Total Number of Funds

Year	Equity Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1975	286	104	36	-	426
1976	278	126	48	-	452
1977	274	153	50	-	477
1978	272	172	61	-	505
1979	268	180	76	-	524
1980	267	191	96	10	564
1981	286	200	159	20	665
1982	320	219	281	37	857
1983	374	279	307	66	1,026
1984	473	350	328	96	1,247
1985	579	493	347	112	1,531
1986	701	655	360	127	1,843
1987	847	934	389	154	2,324
1988	1,015	1,096	432	175	2,718
1989	1,081	1,173	463	201	2,918

Equity funds could not be counted separately from bond & income funds before 1978.

An Overview: Shareholder Accounts, Total Net Assets, and Liquid Assets Equity, Bond, and Income Funds 1970-1989

Calendar Yearend	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
1970	361	10,690.3	$47.6	$3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,712.5	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.8	6.0
1983	653	12,065.0	113.6	8.3
1984	820	14,471.3	137.1	12.2
1985	1,071	19,845.6	251.7	20.6
1986	1,356	29,790.2	424.2	30.7
1987	1,781	36,971.1	453.8	38.0
1988	2,109R	36,212.0R	472.3	45.1
1989	2,253	36,950	553.9	44.8

Note: *Figures for shareholder accounts represent combined totals for member companies. Duplications have not been eliminated.*

R—Revised

Comparable data for short-term funds can be found on page 102. Industry totals can be found on pages 78-79.

Type of Shareholder Accounts
Equity, Bond, and Income Funds
1971-1989

(thousands)

Yearend	Total Shareholder Accounts	Regular Accounts	Contractual Accumulation Plans	Contractual Single Payment Plans	Withdrawal Accounts
Number					
1971	10,901	8,996	1,455	169	281
1972	10,635	8,856	1,342	157	280
1973	10,331	8,699	1,214	166	252
1974	9,970	8,524	1,081	140	225
1975	9,667	8,302	1,029	126	210
1976	8,879	7,647	930	112	190
1977	8,515	7,395	844	101	175
1978	8,068	7,080	757	75	156
1979	7,482	6,602	677	64	139
1980	7,326	6,598	554	45	129
1981	7,175	6,486	537	30	122
1982	8,190	7,573	471	28	118
1983	12,065	11,326	585	20	134
1984	14,424	13,666	615	17	126
1985	19,846	19,008	647	17	174
1986	29,790R	28,919	624	16	231
1987	36,971	36,003	687	17	264
1988	36,212R	35,331R	605	16	260
1989	36,950	36,090	561	14	285
Percent					
1971	100.0%	82.5%	13.3%	1.6%	2.6%
1972	100.0	83.3	12.6	1.5	2.6
1973	100.0	84.2	11.8	1.6	2.4
1974	100.0	85.5	10.8	1.4	2.3
1975	100.0	85.9	10.6	1.3	2.2
1976	100.0	86.1	10.5	1.3	2.1
1977	100.0	86.9	9.9	1.2	2.0
1978	100.0	87.8	9.4	0.9	1.9
1979	100.0	88.2	9.0	0.9	1.9
1980	100.0	90.1	7.6	0.6	1.7
1981	100.0	90.4	7.5	0.4	1.7
1982	100.0	92.5	5.8	0.3	1.4
1983	100.0	93.8	4.9	0.2	1.1
1984	100.0	94.8	4.2	0.1	0.9
1985	100.0	95.8	3.2	0.1	0.9
1986	100.0	97.0	2.1	0.1	0.8
1987	100.0	97.4	1.8	0.1	0.7
1988	100.0	97.6	1.7	0.0	0.7
1989	100.0	97.7	1.5	0.0	0.8

R—Revised

Total Net Assets of Equity, Bond, and Income Funds by Fund Characteristics Yearend

(millions of dollars)

	1988		1989	
	Dollars	Percent	Dollars	Percent
Total Net Assets	**$472,296.6**	**100.0%**	**$553,870.9**	**100%**
Method of Sales				
Sales Force	$336,184.0	71.2%	$376,016.9	67.9%
Direct Marketing	120,728.6	25.5	154,769.8	27.9
Variable Annuity	13,592.8	2.9	20,975.8	3.8
Not Offering Shares	1,791.2	0.4	2,108.5	0.4
Investment Objective				
Aggressive Growth	29,452.3	6.2%	$37,209.0	6.7%
Growth	50,547.2	10.7	66,078.8	11.9
Growth & Income	70,865.3	15.0	91,362.2	16.5
Precious Metals	3,171.9	0.7	4,089.3	0.7
International	6,831.8	1.4	9,888.3	1.8
Global Equity	11,151.1	2.4	13,697.0	2.5
Income-equity	17,509.5	3.7	22,925.2	4.2
Option/Income	5,286.3	1.1	3,804.3	0.7
Flexible Portfolio	3,485.7	0.7	4,142.6	0.8
Balanced	9,492.9	2.0	13,519.0	2.4
Income-mixed	8,768.7	1.9	15,190.8	2.8
Income-bond	10,693.3	2.3	13,465.1	2.4
U.S. Government Income	82,688.1	17.5	81,400.7	14.7
Ginnie Mae	28,712.0	6.1	28,209.3	5.1
Global Bond	3,024.3	0.6	3,063.2	0.6
Corporate Bond	10,463.9	2.2	11,676.6	2.1
High-yield Bond	33,425.2	7.1	28,492.4	5.1
Long-term Municipal Bond	54,316.3	11.5	64,450.6	11.6
State Municipal Bond—Long-term	32,410.8	6.9	41,206.4	7.4

Liquid Assets of Equity, Bond, and Income Funds by Fund Characteristics

Yearend

(millions of dollars)

	1988		1989	
	Dollars	**Percent**	**Dollars**	**Percent**
Net Cash & Equivalent	**$45,089.5**	**100.0%**	**$44,779.7**	**100.0%**
Method of Sales				
Sales Force	$33,192.5	73.6%	$28,318.9	63.2
Direct Marketing	10,107.6	22.4	13,793.5	30.8
Variable Annuity	106.3	0.3	2,621.5	5.9
Not Offering Shares	1,683.1	3.7	45.9	0.1
Investment Objective				
Aggressive Growth	$2,916.5	6.5%	$4,277.5	9.5%
Growth	5,492.4	12.2	7,332.9	16.4
Growth & Income	6,662.0	14.8	10,152.8	22.7
Precious Metals	296.1	0.6	161.7	0.4
International	417.8	0.9	940.4	2.1
Global Equity	860.2	1.9	748.8	1.7
Income-equity	1,114.4	2.5	2,022.2	4.5
Option/Income	578.4	1.3	237.4	0.5
Flexible Portfolio	777.5	1.7	1,106.2	2.5
Balanced	810.8	1.8	1,170.5	2.6
Income-mixed	907.9	2.0	3,372.7	7.5
Income-bond	1,894.2	4.2	1,817.1	4.1
U.S. Government Income	11,601.9	25.7	4,183.7	9.3
Ginnie Mae	1,210.8	2.7	576.8	1.3
Global Bond	522.9	1.2	452.4	1.0
Corporate Bond	1,368.2	3.0	1,002.9	2.2
High-yield Bond	2,328.1	5.2	1,965.2	4.4
Long-term Municipal Bond	3,915.1	8.7	2,278.3	5.1
State Municipal Bond—Long-term	1,414.3	3.1	980.0	2.2

Total Net Assets of Mutual Funds by Investment Objective Within Method of Sales 1986-1989

(millions of dollars)

Sales Force

	1986	1987	1988	1989
Aggressive Growth	$9,024.4	$10,088.6	$9,867.4	$10,766.9
Growth	28,245.5	30,940.1	30,501.1	37,767.2
Growth & Income	34,262.1	38,985.8	43,293.6	55,884.3
Precious Metals	1,223.9	2,415.7	1,983.8	2,346.2
International	2,097.0	2,608.0	2,761.7	4,528.8
Global Equity	7,944.1	10,248.3	10,940.7	13,352.0
Income-equity	5,478.9	6,321.7	7,388.3	10,035.3
Option/Income	6,835.1	4,863.3	5,255.3	3,777.0
Flexible Portfolio	1,213.8	3,720.9	2,840.9	2,922.2
Balanced	5,376.4	6,136.0	5,934.5	7,192.6
Income-mixed	8,054.1	9,179.0	6,651.3	12,480.3
Income-bond	7,433.9	8,633.2	7,389.3	9,326.3
U.S. Government Income	78,838.7	86,069.3	79,729.9	73,971.5
Ginnie Mae	31,866.6	27,490.3	22,310.5	21,735.0
Global Bond	453.2	1,589.2	2,480.8	2,604.8
Corporate Bond	7,735.6	8,055.6	7,078.5	7,323.5
High-yield Bond	19,612.3	19,922.6	28,005.7	24,457.5
Long-term Municipal Bond	29,782.6	32,782.7	37,020.5	44,229.2
State Municipal Bond—Long-term	19,159.2	21,702.5	24,750.2	31,316.3
Total	**$304,637.4**	**$331,752.8**	**$336,184.0**	**$376,016.9**

Direct Marketing

	1986	1987	1988	1989
Aggressive Growth	$15,321.1	$16,527.7	$18,948.4	$24,934.4
Growth	11,633.2	12,604.7	15,322.9	20,490.3
Growth & Income	18,333.5	19,810.6	21,974.3	28,618.2
Precious Metals	801.7	1,632.3	1,184.0	1,738.8
International	5,089.2	4,355.5	4,044.0	5,274.3
Global Equity	41.0	190.3	199.1	275.9
Income-equity	7,078.5	8,393.3	10,058.5	12,687.9
Option/Income	111.5	226.2	27.0	27.3
Flexible Portfolio	175.5	370.4	370.6	824.1
Balanced	2,070.6	2,780.2	3,498.6	4,698.8
Income-mixed	2,038.0	2,044.3	1,996.5	2,587.1
Income-bond	3,195.2	3,051.4	2,351.8	2,872.1
U.S. Government Income	3,132.2	2,242.6	2,419.6	6,459.6
Ginnie Mae	7,164.4	6,044.3	5,762.2	5,840.6
Global Bond	70.0	547.9	542.1	451.0
Corporate Bond	886.5	951.0	2,703.3	3,736.7
High-yield Bond	4,039.0	3,242.2	4,369.3	3,141.2
Long-term Municipal Bond	20,074.6	16,392.0	17,295.8	20,221.4
State Municipal Bond—Long-term	6,655.6	6,089.2	7,660.6	9,890.1
Total	**$107,911.3**	**$107,496.1**	**$120,728.6**	**$154,769.8**

Distribution of Mutual Fund Assets in Equity, Bond, and Income Funds Yearend, 1970-1989

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-term U.S. Gov't	Other
Millions of dollars								
1970	$47,618	$3,124	$4,286	$1,143	$38,540	N/A	N/A	$525
1971	55,045	2,601	4,910	1,206	45,891	N/A	N/A	437
1972	59,831	2,598	5,068	993	50,735	N/A	N/A	437
1973	46,519	3,426	4,196	623	37,698	N/A	N/A	576
1974	34,062	3,357	3,611	426	26,103	N/A	N/A	565
1975	42,179	3,209	4,766	506	33,158	N/A	N/A	540
1976	47,582	2,352	6,977	655	37,158	N/A	N/A	440
1977	45,049	3,274	6,475	418	30,746	$2,256	$1,235	585
1978	44,980	4,507	5,545	405	30,678	2,550	1,093	202
1979	48,980	4,995	5,582	443	34,334	2,651	798	177
1980	58,400	5,321	6,582	531	41,561	2,866	1,433	106
1981	55,207	5,277	7,489	399	36,649	3,046	2,147	200
1982	76,841	6,040	10,833	1,628	47,720	6,797	3,752	71
1983	113,599	8,343	13,052	1,474	72,942	13,368	3,894	526
1984	137,126	11,978	15,018	1,627	81,597	18,522	8,009	375
1985	251,695	20,607	24,961	3,773	119,698	38,339	43,471	846
1986	424,156	30,716	47,310	7,387	153,657	70,875	111,536	2,675
1987	453,842	38,006	41,661	5,566	176,372	68,578	119,854	3,805
1988	472,297	45,090	54,441	5,678	173,684	86,136	103,750	3,518
1989	553,866	44,780	52,945	4,582	241,307	85,017	118,108	7,127
Percent								
1970	100.0%	6.6%	9.0%	2.4%	80.9%	N/A	N/A	1.1%
1971	100.0	4.7	8.9	2.2	83.4	N/A	N/A	0.8
1972	100.0	4.3	8.5	1.7	84.8	N/A	N/A	0.7
1973	100.0	7.4	9.0	1.2	81.0	N/A	N/A	1.3
1974	100.0	9.9	10.6	1.2	76.6	N/A	N/A	1.7
1975	100.0	7.6	11.3	1.2	78.6	N/A	N/A	1.3
1976	100.0	4.9	14.7	1.4	78.1	N/A	N/A	0.9
1977	100.0	7.3	14.4	0.9	68.2	5.0%	2.9%	1.3
1978	100.0	10.0	12.3	0.9	68.2	5.7	2.4	0.5
1979	100.0	10.2	11.4	0.9	70.1	5.4	1.6	0.4
1980	100.0	9.1	11.3	0.9	71.2	4.9	2.4	0.2
1981	100.0	9.5	13.6	0.7	66.4	5.5	3.9	0.4
1982	100.0	7.9	14.1	2.1	62.1	8.8	4.9	0.1
1983	100.0	7.3	11.5	1.3	64.2	11.8	3.4	0.5
1984	100.0	8.7	11.0	1.2	59.5	13.5	5.8	0.3
1985	100.0	8.2	9.9	1.5	47.6	15.2	17.3	0.3
1986	100.0	7.3	11.2	1.7	36.2	16.7	26.3	0.6
1987	100.0	8.4	9.2	1.2	38.9	15.1	26.4	0.8
1988	100.0	9.5	11.5	1.2	36.8	18.2	22.0	0.8
1989	100.0	8.1	9.6	0.8	43.6	15.3	21.3	1.3

An Overview: Sales, Redemptions, and Net Sales of Equity, Bond, and Income Funds 1970-1989

(millions of dollars)

Year	Sales	Redemptions	Net Sales
1970	$4,625.8	$2,987.6	$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,856.8	20,030.1	25,826.7
1985	114,313.5	33,763.3	80,550.2
1986	215,847.9	67,012.7	148,835.2
1987	190,628.0	116,224.3	74,403.7
1988	95,292.9	92,474.1	2,818.8
1989	125,713.3	91,656.1	34,057.2

Comparable data for short-term funds can be found on page 102.

Sales of Equity, Bond, and Income Funds by Fund Characteristics

(millions of dollars)

	1988		1989	
	Dollars	Percent	Dollars	Percent
Total Sales	**$95,292.9**	**100.0%**	**$125,713.3**	**100.0%**
Type of Sales				
Regular Single Payment	$77,214.0	81.0%	$104,628.4	83.3%
Contractual Accumulation Plan	433.2	0.5	307.9	0.2
Contractual Single Payment	109.4	0.1	133.4	0.1
Reinvested Investment Income	17,536.3	18.4	20,643.6	16.4
Method of Sales				
Sales Force	$65,025.8	68.3%	$79,771.6	63.5%
Direct Marketing	27,179.9	28.5	40,969.5	32.6
Variable Annuity	3,068.1	3.2	4,943.0	3.9
Not Offering Shares	19.1	0.0	29.2	0.0
Investment Objective				
Aggressive Growth	$4,361.4	4.6%	$8,577.8	6.8%
Growth	8,386.3	8.8	12,432.6	9.9
Growth & Income	10,555.6	11.1	21,944.3	17.4
Precious Metals	1,193.3	1.3	998.9	0.8
International	1,214.4	1.3	2,456.7	2.0
Global Equity	1,348.4	1.4	2,224.0	1.8
Income-equity	3,088.3	3.2	5,380.7	4.3
Option/Income	866.5	0.9	448.8	0.4
Flexible Portfolio	1,075.8	1.1	1,194.8	0.9
Balanced	1,291.0	1.4	2,090.8	1.7
Income-mixed	2,714.3	2.8	7,251.3	5.8
Income-bond	3,634.1	3.8	4,457.4	3.5
U.S. Government Income	16,636.3	17.5	11,797.1	9.4
Ginnie Mae	4,548.8	4.8	3,771.0	3.0
Global Bond	1,509.0	1.6	893.9	0.7
Corporate Bond	2,289.5	2.4	3,179.4	2.5
High-yield Bond	9,828.2	10.3	9,866.8	7.8
Long-term Municipal Bond	12,626.2	13.2	15,470.0	12.3
State Municipal Bond—Long-term	8,125.5	8.5	11,277.0	9.0

Sales of Mutual Funds by Investment Objective Within Method of Sales 1986-1989

(millions of dollars)

Sales Force

Investment Objective	1986	1987	1988	1989
Aggressive Growth	$2,380.5	$4,077.6	$1,576.9	3,105.4
Growth	7,697.4	10,508.8	4,781.4	5,894.8
Growth & Income	12,044.4	12,856.3	5,406.5	10,957.5
Precious Metals	204.6	1,277.5	345.2	325.7
International	1,048.5	1,988.8	571.8	1,365.3
Global Equity	3,088.5	3,076.4	1,291.0	2,098.2
Income-equity	2,640.6	3,175.3	1,671.1	2,266.9
Option/Income	3,041.0	1,710.3	710.0	447.4
Flexible Portfolio	344.5	2,610.9	784.3	784.6
Balanced	2,567.1	2,132.8	744.0	934.9
Income-mixed	5,335.9	4,723.4	1,996.9	6,525.2
Income-bond	3,628.7	3,767.7	2,395.9	3,176.7
U.S. Government Income	51,624.5	42,050.7	15,321.1	9,924.4
Ginnie Mae	24,930.1	9,710.8	3,198.7	2,669.4
Global Bond	407.6	775.3	1,201.7	735.2
Corporate Bond	3,808.4	2,875.6	1,307.9	1,868.2
High-yield Bond	10,541.5	7,012.8	7,508.6	7,781.3
Long-term Municipal Bond	15,441.4	10,371.1	8,696.2	10,941.1
State Municipal Bond—Long-term	10,802.4	7,313.3	5,516.6	7,969.2
Total	**$161,577.6**	**$132,015.4**	**$65,025.8**	**$79,771.6**

Direct Marketing

Investment Objective	1986	1987	1988	1989
Aggressive Growth	$7,267.9	$7,309.4	$2,558.5	$5,003.8
Growth	3,624.6	5,723.8	2,675.5	4,947.3
Growth & Income	5,552.4	8,473.5	4,482.1	9,897.6
Precious Metals	452.0	1,900.5	845.9	671.9
International	3,121.4	2,192.6	636.8	1,058.5
Global Equity	22.6	50.3	40.9	95.0
Income-equity	2,829.5	3,584.2	1,414.6	3,003.8
Option/Income	61.8	300.5	156.2	0.1
Flexible Portfolio	142.6	232.4	156.2	274.1
Balanced	759.4	1,061.2	533.8	1,032.8
Income-mixed	1,345.9	1,112.1	684.6	671.1
Income-bond	1,518.0	1,387.7	1,007.1	880.6
U.S. Government Income	2,554.6	1,702.4	1,113.8	1,627.0
Ginnie Mae	3,660.0	3,301.7	1,220.7	982.5
Global Bond	31.6	343.4	306.5	154.9
Corporate Bond	368.0	579.7	759.9	1,069.5
High-yield Bond	2,993.7	2,610.1	2,047.9	1,762.4
Long-term Municipal Bond	9,218.7	7,620.0	3,930.0	4,528.9
State Municipal Bond—Long-term	4,417.0	3,605.5	2,608.9	3,307.9
Total	**$49,941.7**	**$53,091.0**	**$27,179.9**	**$40,969.5**

Sales and Reinvested Dividends by Fund Characteristics 1988-1989

(millions of dollars)

	Total Sales	Total Reinvested Dividends	Sales Less Reinvested Dividends
1988			
Total	**$95,262.9**	**$17,536.3**	**$77,756.6**
Method of Sales			
Sales Force	$65,025.8	$13,125.2	$51,900.6
Direct Marketing	27,179.9	3,949.8	23,230.1
Variable Annuity	3,068.1	454.6	2,613.5
Not Offering Shares	19.1	6.7	12.4
Investment Objective			
Aggressive Growth	$4,361.4	$226.3	$4,135.1
Growth	8,386.3	1,223.3	7,163.0
Growth & Income	10,555.6	2,298.6	8,257.0
Precious Metals	1,193.3	55.6	1,137.7
International	1,214.4	106.6	1,107.8
Global Equity	1,348.4	250.6	1,097.8
Income-equity	3,088.3	317.9	2,770.4
Option/Income	866.5	250.5	616.0
Flexible Portfolio	1,075.8	104.9	970.9
Balanced	1,291.0	411.1	879.9
Income-mixed	2,714.3	488.5	2,225.8
Income-bond	3,634.1	693.7	2,940.4
U.S. Government Income	16,636.3	3,939.9	12,696.4
Ginnie Mae	4,548.8	1,305.7	3,243.1
Global Bond	1,509.0	160.8	1,348.2
Corporate Bond	2,289.5	551.6	1,737.9
High-yield Bond	9,828.2	1,972.5	7,855.7
Long-term Municipal Bond	12,626.2	2,156.7	10,469.5
State Municipal Bond—Long-term	8,125.5	1,021.5	7,104.0
1989			
Total	**$125,713.3**	**$20,643.5**	**$105,069.8**
Method of Sales			
Sales Force	$79,771.6	$13,716.8	$66,054.8
Direct Marketing	40,969.5	6,362.0	34,607.5
Variable Annuity	4,943.0	551.1	4,391.9
Not Offering Shares	29.2	13.6	15.6
Investment Objective			
Aggressive Growth	$8,577.8	$618.8	$7,959.0
Growth	12,432.6	1,300.3	11,132.3
Growth & Income	21,944.3	3,762.1	18,182.2
Precious Metals	998.9	94.0	904.9
International	2,456.7	97.7	2,359.0
Global-Equity	2,224.0	337.6	1,886.4
Income-equity	5,380.7	911.3	4,469.4
Option/Income	448.8	243.9	204.9
Flexible Portfolio	1,194.8	153.0	1,041.8
Balanced	2,090.8	486.6	1,604.2
Income-mixed	7,251.3	554.8	6,696.5
Income-bond	4,457.4	758.9	3,698.5
U.S. Government Income	11,797.1	3,378.9	8,418.2
Ginnie Mae	3,771.0	1,216.2	2,554.8
Global Bond	893.9	153.7	740.2
Corporate Bond	3,179.4	664.1	2,515.3
High-yield Bond	9,866.8	2,260.1	7,606.7
Long-term Municipal Bond	15,470.0	2,420.4	13,049.6
State Municipal Bond—Long-term	11,277.0	1,231.1	10,045.9

Equity, Bond, and Income Funds' Distributions to Shareholders

(millions of dollars)

Year	Distributions from	
	Net Investment Income	Net Realized Capital Gains
1970	$1,414.1	$922.1
1971	1,330.7	775.5
1972	1,286.6	1,402.6
1973	1,300.2	943.3
1974	1,553.2	484.3
1975	1,449.1	219.2
1976	1,580.0	470.9
1977	1,789.7	634.8
1978	2,116.0	710.6
1979	2,451.4	929.9
1980	2,669.0	1,774.2
1981	3,143.0	2,697.2
1982	3,832.9	2,350.1
1983	4,981.0	4,391.6
1984	7,238.4	6,019.2
1985	12,864.2	4,984.6
1986	22,273.4	17,463.8
1987	31,823.7	22,975.6
1988	31,844.8R	6,343.6R
1989	34,096.1	14,802.8

R—Revised

Annual Redemption Rate for Equity, Bond, and Income Funds 1970-1989

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	$47,954	$2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.4
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,362	20,030	16.0
1985	194,411	33,763	17.4
1986	337,926	67,013	19.8
1987	438,999	116,224	26.5
1988	463,070	92,474	20.0
1989	520,537	91,656	17.6

Note: *"Average" Value Assets are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets.*

Redemptions of Equity, Bond, and Income Funds by Fund Characteristics

(millions of dollars)

	1988		1989	
	Dollars	Percent	Dollars	Percent
Redemptions	**$92,474.1**	**100.0%**	**$91,656.1**	**100.0%**
Type of Redemption				
Regular Account	$92,219.3R	99.7%	$91,302.9	99.6%
Contractual Account	254.8R	0.3	353.2	0.4
Method of Sales				
Sales Force	$67,324.5	72.8%	$63,066.2	68.8%
Direct Marketing	21,093.7	22.8	24,203.1	26.4
Variable Annuity	3,906.5	4.2	4,219.0	4.6
Not Offering Shares	149.4	0.2	167.8	0.2
Investment Objective				
Aggressive Growth	$5,202.5	5.6%	$5,652.8	6.2
Growth	9,895.0	10.7	11,263.8	12.3
Growth & Income	10,972.7	11.9	13,917.6	15.2
Precious Metals	1,215.4	1.3	986.5	1.1
International	1,802.8	2.0	1,210.6	1.3
Global Equity	1,859.9	2.0	1,684.0	1.8
Income-equity	2,380.2	2.6	2,584.8	2.8
Option/Income	1,481.5	1.6	1,000.4	1.1
Flexible Portfolio	1,046.4	1.1	859.3	0.9
Balanced	1,664.9	1.8	1,557.0	1.7
Income-mixed	3,374.5	3.7	2,406.1	2.6
Income-bond	2,706.4	2.9	2,413.3	2.6
U.S. Government Income	20,890.2	22.6	17,410.2	19.1
Ginnie Mae	7,165.5	7.7	5,479.8	6.0
Global Bond	731.1	0.8	767.7	0.8
Corporate Bond	1,890.8	2.0	2,000.3	2.2
High-yield Bond	5,527.4	6.0	8,133.5	8.9
Long-term Municipal Bond	8,376.9	9.1	8,080.4	8.8
State Municipal Bond—Long-term	4,290.0	4.6	4,248.0	4.6

Redemptions of Mutual Funds by Investment Objective Within Method of Sales 1986-1989

(millions of dollars)

Sales Force

Investment Objective	1986	1987	1988	1989
Aggressive Growth	$1,736.0	$2,621.8	$2,303.5	$2,326.0
Growth	4,834.0	6,037.9	5,934.9	5,910.0
Growth & Income	4,680.8	6,211.9	6,333.6	7,352.5
Precious Metals	230.6	562.7	346.6	406.2
International	425.7	1,203.2	819.7	619.2
Global Equity	1,181.2	1,965.4	1,797.7	1,614.0
Income-equity	798.5	1,701.4	1,256.1	1,334.2
Option/Income	1,074.2	1,271.4	1,324.3	995.0
Flexible Portfolio	149.4	417.0	869.1	687.9
Balanced	360.6	777.1	1,277.1	1,109.6
Income-mixed	2,691.7	4,093.9	2,759.8	2,012.4
Income-bond	1,028.2	2,083.5	1,961.8	1,763.5
U.S. Government Income	13,308.3	26,124.7	19,955.0	16,085.6
Ginnie Mae	6,041.1	10,545.0	5,866.7	4,331.8
Global Bond	27.2	420.5	556.4	604.5
Corporate Bond	763.3	1,756.6	1,255.7	1,101.7
High-yield Bond	2,190.7	3,995.1	4,063.3	6,465.4
Long-term Municipal Bond	2,980.3	6,189.1	5,646.6	5,490.3
State Municipal Bond—Long-term	1,426.1	3,550.2	2,996.5	2,856.4
Total	**$45,927.9**	**$81,528.4**	**$67,324.4**	**$63,066.2**

Direct Marketing

Investment Objective	1986	1987	1988	1989
Aggressive Growth	$3,441.6	$4,252.2	$2,531.9	$2,937.0
Growth	2,664.4	3,919.3	2,812.4	3,821.6
Growth & Income	2,525.4	4,149.2	3,274.3	5,594.5
Precious Metals	452.7	1,275.8	868.3	580.0
International	1,320.3	1,836.7	980.6	578.0
Global Equity	0.7	21.3	49.7	64.5
Income-equity	590.8	1,033.3	1,122.7	1,211.2
Option/Income	29.1	199.8	155.9	0.1
Flexible Portfolio	19.1	47.4	102.3	124.0
Balanced	153.2	325.9	360.3	424.0
Income-mixed	503.4	684.4	581.5	356.5
Income-bond	577.2	936.5	604.0	494.9
U.S. Government Income	731.1	1,117.8	758.8	1,143.0
Ginnie Mae	875.6	2,284.2	1,106.3	917.3
Global Bond	0.6	68.3	174.6	162.3
Corporate Bond	69.7	286.8	479.2	565.5
High-yield Bond	803.1	1,575.2	1,107.4	1,247.0
Long-term Municipal Bond	3,400.7	5,499.7	2,730.3	2,590.1
State Municipal Bond—Long-term	1,249.9	2,183.0	1,293.4	1,391.6
Total	**$19,408.6**	**$31,696.8**	**$21,093.9**	**$24,203.1**

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1989

(thousands of dollars)

	Sales Force	Direct Marketing	Total
New England	**$5,017,577**	**$6,219,822**	**$11,237,399**
Connecticut	1,482,210	930,272	2,412,482
Maine	220,066	145,803	365,869
Massachusetts	2,658,307	4,821,043	7,479,350
New Hampshire	309,010	153,384	462,394
Rhode Island	217,512	105,948	323,460
Vermont	130,472	63,372	193,844
Middle Atlantic	**$16,987,415**	**$8,407,050**	**$25,394,465**
New Jersey	4,470,980	1,697,637	6,168,617
New York	8,774,692	5,250,341	14,025,033
Pennsylvania	3,741,743	1,459,072	5,200,815
East North Central	**$12,273,070**	**$5,187,916**	**$17,460,988**
Illinois	3,469,949	1,700,449	5,170,398
Indiana	1,229,615	306,818	1,536,433
Michigan	2,886,168	937,329	3,823,497
Ohio	3,129,820	1,781,897	4,911,717
Wisconsin	1,557,518	461,425	2,018,943
West North Central	**$7,004,629**	**$1,654,304**	**$8,658,933**
Iowa	984,117	162,185	1,146,302
Kansas	775,180	244,801	1,019,981
Minnesota	2,285,370	542,708	2,828,078
Missouri	1,728,936	536,936	2,265,872
Nebraska	819,010	104,087	923,097
North Dakota	198,769	26,019	224,788
South Dakota	213,247	37,568	250,815
South Atlantic	**$10,111,107**	**$6,224,507**	**$16,335,614**
Delaware	230,366	101,631	331,997
District of Columbia	302,849	273,621	576,470
Florida	4,747,922	1,717,568	6,465,490
Georgia	873,785	800,648	1,674,433
Maryland	976,644	1,690,230	2,666,874
North Carolina	954,790	678,135	1,632,925
South Carolina	431,986	151,815	583,801
Virginia	1,372,446	742,534	2,114,980
West Virginia	220,319	68,325	288,644

Continued on Page 95

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1989

(thousands of dollars)

	Sales Force	Direct Marketing	Total
East South Central	**$2,017,717**	**$925,241**	**$2,942,958**
Alabama	459,944	143,420	603,364
Kentucky	529,395	275,704	805,099
Mississippi	247,336	71,380	318,716
Tennessee	781,042	434,737	1,215,779
West South Central	**$4,826,419**	**$3,077,582**	**$7,904,001**
Arkansas	405,818	820,306	1,226,124
Louisiana	644,137	186,671	830,808
Oklahoma	589,976	170,117	760,093
Texas	3,186,488	1,900,488	5,086,976
Mountain	**$4,804,674**	**$1,947,367**	**$6,752,041**
Arizona	1,249,006	491,952	1,740,958
Colorado	1,823,623	723,119	2,546,742
Idaho	236,215	66,306	302,521
Montana	285,727	38,648	324,375
Nevada	322,981	119,981	442,962
New Mexico	306,099	188,976	495,075
Utah	362,202	290,132	652,334
Wyoming	218,821	28,253	247,074
Pacific	**$16,132,893**	**$6,971,172**	**$23,104,065**
Alaska	117,884	49,474	167,358
California	13,190,543	5,515,260	18,705,803
Hawaii	222,525	174,812	397,337
Oregon	823,167	363,870	1,187,037
Washington	1,778,774	867,756	2,646,530
U.S. Territories & Possessions	**$49,368**	**$49,820**	**$99,188**
Canada	**$43,837**	**$9,127**	**$52,964**
Other Countries	**$502,586**	**$295,524**	**$798,110**
Total	**$79,771,292**	**$40,969,434**	**$120,740,726**

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1989

(Percent of Total)

	Sales Force	Direct Marketing	Total
New England	**6.29%**	**15.18%**	**9.31%**
Connecticut	1.86	2.27	2.00
Maine	.28	.36	.30
Massachusetts	3.33	11.77	6.20
New Hampshire	.39	.37	.38
Rhode Island	.27	.26	.27
Vermont	.16	.15	.16
Middle Atlantic	**21.30%**	**20.52%**	**21.03%**
New Jersey	5.61	4.14	5.11
New York	11.00	12.82	11.61
Pennsylvania	4.69	3.56	4.31
East North Central	**15.39%**	**12.67%**	**14.46%**
Illinois	4.35	4.15	4.28
Indiana	1.54	.75	1.27
Michigan	3.62	2.29	3.17
Ohio	3.93	4.35	4.07
Wisconsin	1.95	1.13	1.67
West North Central	**8.78%**	**4.04%**	**7.17%**
Iowa	1.23	.40	.95
Kansas	.97	.60	.84
Minnesota	2.86	1.33	2.34
Missouri	2.17	1.31	1.88
Nebraska	1.03	.25	.76
North Dakota	.25	.06	.19
South Dakota	.27	.09	.21
South Atlantic	**12.68%**	**15.19%**	**13.53%**
Delaware	.29	.25	.27
District of Columbia	.38	.67	.48
Florida	5.95	4.19	5.36
Georgia	1.10	1.95	1.39
Maryland	1.22	4.13	2.21
North Carolina	1.20	1.65	1.35
South Carolina	.54	.37	.48
Virginia	1.72	1.81	1.75
West Virginia	.28	.17	.24

Continued on Page 97

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1989

(Percent of Total)

	Sales Force	Direct Marketing	Total
East South Central	**2.53%**	**2.26%**	**2.44%**
Alabama	.58	.35	.50
Kentucky	.66	.68	.67
Mississippi	.31	.17	.26
Tennessee	.98	1.06	1.01
West South Central	**6.05%**	**7.51%**	**6.55%**
Arkansas	.51	2.00	1.02
Louisiana	.81	.46	.69
Oklahoma	.74	.41	.63
Texas	3.99	4.64	4.21
Mountain	**6.02%**	**4.75%**	**5.59%**
Arizona	1.57	1.20	1.44
Colorado	2.29	1.77	2.11
Idaho	.30	.16	.25
Montana	.36	.09	.27
Nevada	.40	.29	.37
New Mexico	.38	.46	.41
Utah	.45	.71	.54
Wyoming	.27	.07	.20
Pacific	**20.22%**	**17.02%**	**19.14%**
Alaska	.15	.12	.14
California	16.53	13.46	15.49
Hawaii	.28	.43	.33
Oregon	1.03	.89	.99
Washington	2.23	2.12	2.19
U.S. Territories & Possessions	**.06%**	**.12%**	**.08%**
Canada	**.05%**	**.02%**	**.04%**
Other Countries	**.63%**	**.72%**	**.66%**
Total	**100.00%**	**100.00%**	**100.00%**

Total Purchases, Total Sales, and Net Purchases of Portfolio Securities by Mutual Funds 1970-1989

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$20,405.0	$18,588.5	$1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.0)
1973	19,706.6	21,903.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	119,272.4	98,929.6	20,342.8
1985	259,578.5	186,974.6	72,603.9
1986	501,058.5	365,167.6	135,890.9
1987	531,075.8	485,640.1	45,435.7
1988	410,714.2	421,449.7R	(10,735.5)R
1989	472,222.4	445,731.4	26,491.0

Note: *Parentheses indicate net portfolio sales.*

R—Revised

Total Purchases, Total Sales, and Net Purchases of Common Stocks by Mutual Funds 1970-1989

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$17,127.6	$15,900.8	$1,226.8
1971	21,557.7	21,175.1	382.6
1972	20,943.5	22,552.8	(1,609.3)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906.1)
1981	20,859.7	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,587.9	50,895.0	5,692.9
1985	80,783.1	72,577.3	8,205.8
1986	134,711.0	118,091.9	16,619.1
1987	199,042.0	176,084.9	22,957.1
1988	112,831.8	128,896.2	(16,064.4)
1989	142,965.9	141,748.4	1,217.5

Note: *Parentheses indicate net portfolio sales.*

Total Purchases, Total Sales, and Net Purchases of Securities Other Than Common Stocks by Mutual Funds 1970-1989

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$3,277.4	$2,687.7	$589.7
1971	3,802.5	3,618.6	183.9
1972	3,524.1	3,270.9	253.2
1973	4,145.9	4,398.7	(252.8)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.7	30,652.6	7,775.1
1984	62,684.6	48,034.6	14,650.0
1985	178,795.3	114,397.3	64,398.0
1986	366,347.5	247,075.7	119,271.8
1987	332,033.8	309,555.2	22,478.6
1988	297,882.5	292,553.5	5,329.0
1989	329,256.5	303,983.0	25,273.5

Note: *Parentheses indicate net portfolio sales.*

Portfolio Purchases and Sales by Fund Characteristics

(millions of dollars)

	1988		1989	
	Purchases	Sales	Purchases	Sales
All Securities	**$410,714.2**	**$421,449.6**	**$472,222.4**	**$445,731.4**
Method of Sales				
Sales Force	$291,932.3	$303,430.6	$328,809.3	$312,119.5
Direct Marketing	105,796.5	104,560.2	129,277.3	120,369.9
Not Offering Shares	304.4	306.2	306.4	366.2
Variable Annuity	12,681.0	13,152.6	13,829.4	12,875.8
Investment Objective				
Aggressive Growth	$26,513.5	$29,204.7	$35,644.6	$36,108.7
Growth	5,528.0	39,468.9	45,185.3	46,424.1
Growth & Income	35,370.4	39,049.4	39,451.9	36,983.6
Precious Metals	1,215.3	1,303.1	1,456.5	1,419.6
International	4,623.5	5,787.5	5,750.1	5,274.1
Global Equity	5,073.1	4,998.5	5,625.5	4,943.7
Income-equity	11,562.3	11,090.4	15,435.4	13,809.9
Option/Income	3,867.6	5,326.4	5,153.7	5,874.6
Flexible Portfolio	6,407.8	6,656.3	3,997.2	3,945.8
Balanced	9,917.5	10,682.0	9,443.6	9,396.7
Income-mixed	8,036.3	8,912.1	8,399.2	5,693.7
Income-bond	13,064.9	12,488.4	13,395.8	11,111.4
U.S. Government Income	107,611.3	115,630.9	138,803.9	138,782.2
Ginnie Mae	42,003.5	43,473.6	35,009.2	35,171.2
Global Bond	6,864.8	6,025.8	6,657.5	6,413.7
Corporate Bond	8,588.2	8,553.0	13,105.6	11,188.8
High-yield Bond	25,882.1	21,371.7	23,278.7	23,692.9
Long-term Municipal Bond	40,130.6	36,373.4	46,221.5	37,167.6
State Municipal Bond—Long-term	18,453.5	15,053.5	20,207.2	12,329.1
Common Stock Only	**$112,831.8**	**$128,896.2**	**$142,965.9**	**$141,748.4**
Method of Sales				
Sales Force	$61,300.8	$72,737.7	$73,667.8	$74,634.7
Direct Marketing	46,541.0	50,187.9	61,715.2	60,056.3
Not Offering Shares	301.5	305.5	282.4	342.5
Variable Annuity	4,688.5	5,665.1	7,300.5	6,714.9
Investment Objective				
Aggressive Growth	24,653.1	27,829.1	32,209.9	32,751.8
Growth	34,111.8	38,407.7	44,060.0	45,562.9
Growth & Income	23,416.6	28,568.0	29,812.3	27,909.3
Precious Metals	882.5	977.1	1,372.8	1,361.5
International	4,185.9	4,841.2	5,051.3	4,639.3
Global Equity	4,651.5	4,600.7	5,210.7	4,447.5
Income-equity	1,482.2	8,411.5	11,325.6	10,385.6
Option/Income	3,038.8	4,887.4	4,514.3	5,353.6
Flexible Portfolio	3,112.0	3,237.6	2,534.2	2,267.8
Balanced	3,084.4	3,962.2	4,202.9	4,406.2
Income-mixed	1,482.2	1,826.7	1,358.2	1,592.1
Income-bond	13.5	21.2	146.2	134.0
U.S. Government Income	0.0	0.0	0.0	0.1
Ginnie Mae	0.0	0.0	0.0	0.0
Global Bond	11.9	368.1	119.0	28.5
Corporate Bond	59.8	29.6	97.1	77.3
High-yield Bond	1,141.1	928.1	951.4	830.9
Long-term Municipal Bond	0.0	0.0	0.0	0.0
State Municipal Bond—Long-term	0.0	0.0	0.0	0.0

Total Short-term Funds*
1980-1989

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$237,427.7	$207,877.7	$29,550.0	106	4,762,103	$76,361.3
1981	462,422.6	354,972.1	107,450.5	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	373	12,539,688	179,386.5
1984	634,226.7	586,992.4	47,234.3	427	13,844,697	233,553.8
1985	839,498.8	831,121.2	8,377.6	460	14,954,726	243,802.4
1986	989,816.0	948,641.3	41,174.7	487	16,313,148	292,151.6
1987	1,060,949.2	1,062,519.7	(1,570.5)	543	17,674,790	316,096.1
1988	1,081,702.0	1,074,373.5	7,328.5	606	18,569,817R	337,956.5
1989	1,319,492.6	1,235,643.0	83,849.6	664	21,314,228	428,093.2

**Figures are totals for money market and short-term municipal bond funds.*

Comparable data for long-term funds can be found on page 80, 86.

R—Revised

An Overview: Money Market Funds*
1974-1989

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Average Maturity (days)	Total Net Assets
1974	$2,232.0	$556.0	$1,676.0	15	N/A	N/A	$1,715.1
1975	6,748.7	5,883.9	864.8	36	208,777	93	3,695.7
1976	9,360.0	9,609.2	(248.3)	48	180,676	110	3,685.8
1977	10,673.0	10,662.7	10.3	50	177,522	76	3,887.7
1978	30,452.2	24,294.5	6,157.7	61	467,803	42	10,858.0
1979	111,855.1	78,363.4	33,491.7	76	2,307,852	34	45,214.2
1980	232,172.8	204,068.5	28,104.3	96	4,745,572	24	74,447.7
1981	451,889.5	346,701.5	105,188.0	159	10,282,095	34	181,910.4
1982	581,758.9	559.581.1	22,177.8	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.2)	348	14,435,386	42R	207,535.3
1986	792,349.1	776,303.2	16,045.9	360	15,653,595	40	228,345.8
1987	869,099.1	865,668.4	3,430.7	389	16,832,666	31	254,676.4
1988	903,425.9	899,397.3	4,028.6	432	17,630,528R	28	272,293.3R
1989	1,134,647.8	1,055,142.4	79,505.4	463	20,173,265	38	358,719.2

** A small percentage of funds report assets and liquid assets but not sales and redemptions. In the interest of comparability, these latter two sets of figures have been adjusted upward.*

R—Revised

An Overview: Short-term Municipal Bond Funds 1980-1989

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$5,254.9	$3,809.2	$1,445.7	10	16,531	$1,913.6
1981	10,533.1	8,270.6	2,262.5	20	41,371	4,247.8
1982	29,444.0	21,197.3	8,246.7	37	156,796	13,230.0
1983	44,468.3	42,421.4	2,046.9	66	263,049	16,837.0
1984	62,267.4	55,941.5	6,325.9	97	288,517	23,821.9
1985	109,425.0	98,778.2	10,646.8	112	499,245	36,267.1
1986						
National	188,017.3	165,329.1	22,688.2	101	604,055	59,367.5
State	9,449.7	7,009.1	2,440.6	26	55,498	4,438.2
1987						
National	179,215.0	185,031.1	(5,816.1)	112	731,265	54,555.8
State	12,635.1	11,820.2	814.9	42	110,859	6,863.9
1988						
National	158,085.8	158,120.8	(35.0)	120	744,955	54,541.7
State	20,190.4	16,855.5	3,334.9	54	175,134	11,118.5
1989						
National	152,713.4	151,851.4	862.0	129	875,626	52,824.7
State	32,131.3	28,649.2	3,482.1	72	265,337	16,549.4

Money Market Fund Monthly Assets by Type of Fund

(thousands of dollars)

	General Purpose	Broker/Dealer	Institutional	Total
1987				
January	$60,988,081	$106,398,732	$65,091,719	$232,478,532
February	62,143,193	107,774,640	65,678,138	235,595,971
March	62,075,713	107,399,569	64,767,345	234,242,627
April	66,054,314	105,307,665	64,067,027	235,429,006
May	67,917,069	105,168,355	64,444,343	237,529,767
June	66,801,688	103,587,638	64,394,363	234,783,689
July	67,448,174	105,342,003	66,402,493	239,192,670
August	69,555,153	106,868,707	66,155,812	242,579,672
September	71,269,312	106,487,402	63,498,672	241,255,386
October	78,363,282	106,727,188	69,760,408	254,850,878
November	78,194,792	108,015,274	73,475,528	259,685,594
December	78,321,502	106,682,635	69,672,303	254,676,440
1988				
January	$79,551,417	$113,391,872	$79,432,998	$272,376,287
February	80,263,990	114,354,055	81,415,842	276,033,887
March	81,691,652	116,859,262	76,253,687	274,804,601
April	81,229,804	115,514,145	73,259,559	270,003,508
May	82,778,861	114,272,509	71,115,685	268,167,055
June	80,104,053	113,025,867	68,605,338	261,735,258
July	81,609,417	112,965,502	67,794,611	262,369,530
August	83,790,825	112,426,918	68,314,085	264,531,828
September	82,665,623	111,398,819	67,415,164	261,479,606
October	84,487,624	113,460,580	69,588,728	267,536,932
November	88,751,635	117,223,747	71,364,634	277,340,016
December	88,092,457	114,705,514	69,498,375	272,296,346
1989				
January	$88,663,143	$120,939,092	$73,623,941	$283,226,176
February	93,665,426	126,026,537	72,791,230	292,483,193
March	96,131,566	128,025,937	72,036,129	296,193,632
April	97,851,448	128,078,919	73,981,709	299,912,076
May	100,517,777	131,473,735	78,753,744	310,745,256
June	102,781,265	135,196,916	80,270,244	318,248,425
July	104,359,490	142,664,320	85,543,977	332,567,787
August	108,604,602	147,213,621	83,950,752	339,768,975
September	112,181,954	150,832,403	82,372,854	345,387,211
October	116,376,316	156,567,056	84,263,402	357,206,774
November	118,896,393	158,058,641	88,220,715	365,175,749
December	119,147,339	155,288,054	84,283,790	358,719,183

Money Market Fund Asset Composition
Yearend, 1983-1989

(millions of dollars)

	1983	1984	1985	1986	1987	1988	1989
Total Net Assets	**$162,549.5**	**$209,731.9**	**$207,535.3**	**$228,345.8**	**$254,676.4**	**$272,296.3**	**$358,719.2**
U.S. Treasury Bills	20,484.0	20,197.9	20,391.5	20,428.6	4,944.0	5,110.2	7,357.2
Other Treasury Securities	2,354.6	5,214.7	4,271.9	7,602.9	9,358.6	6,448.4	7,430.3
Other U.S. Securities	13,375.2	16,974.3	18,043.1	15,120.3	26,998.9	18,377.0	21,040.4
Repurchase Agreements	13,028.5	22,769.8	26,068.6	32,160.1	39,290.6	41,677.1	54,867.7
Commercial Bank CDs[1]	18,931.3	18,362.5	13,256.3	13,427.2	24,216.9	26,601.3	33,593.4
Other Domestic CDs[2]	5,107.4	5,270.7	3,578.5	5,684.3	9,333.7	6,151.1	7,614.0
Eurodollar CDs[3]	21,911.1	21,213.5	19,027.0	22,168.4	21,611.7	29,694.8	26,378.2
Commercial Paper	46,752.6	78,408.1	87,555.4	94,882.0	100,534.4	117,055.7	179,138.9
Bankers' Acceptances	19,586.2	19,564.2	11,578.3	10,405.7	10,771.2	12,035.8	7,468.3
Cash Reserves	(274.5)	(1,244.5)	154.8	(24.9)	(326.7)	664.6	106.5
Other	1,293.1	3,000.7	3,609.9	6,491.2	7,943.1	8,480.3	13,724.3
Average Maturity[4]	37	43	42R	40	31	28	38
Number of Funds	307	329	348	360	389	432	463

[1] Commercial bank CDs are those issued by American banks located in the U.S.
[2] Other Domestic CDs include those issued by S&Ls and American branches of foreign banks.
[3] Eurodollar CDs are those issued by foreign branches of domestic banks and some issued by Canadian banks; this category includes some one day paper.
[4] Maturity of each individual security in the portfolio at end of month weighted by its value.

Comparable data for long-term funds can be found on page 85.
R—Revised

Money Market Fund Shareholder Accounts by Type of Fund

	General Purpose	Broker/ Dealer	Institutional	Total
1987				
January	4,797,360	10,723,207	143,019	15,663,586
February	4,799,661	10,763,009	141,378	15,704,048
March	4,788,670	10,912,577	138,327	15,839,574
April	4,947,334	11,208,138	140,922	16,296,394
May	4,979,964	11,288,344	142,921	16,411,229
June	4,962,648	11,181,233	144,033	16,287,914
July	4,981,636	11,213,898	128,857	16,324,391
August	4,986,780	11,294,936	124,558	16,406,274
September	5,039,203	11,541,156	125,241	16,705,600
October	5,227,676	11,437,447	141,938	16,807,061
November	5,529,616	11,361,473	139,240	16,760,329
December	5,266,231	11,422,519	143,916	16,832,666
1988				
January	5,250,695	11,526,458	146,355	16,923,508
February	5,320,637	11,518,521	146,957	16,986,115
March	5,385,371	11,673,362	136,511	17,195,244
April	5,416,521	11,897,794	139,925	17,454,240
May	5,401,893	11,644,054	137,431	17,183,378
June	5,376,975	11,595,112	137,679	17,109,766
July	5,278,864	11,334,498	142,242	16,755,604
August	5,253,919	11,470,376	139,194	16,863,489
September	5,328,210	11,530,103	139,198	16,997,511
October	5,267,584	11,725,059	140,364	17,133,007
November	5,611,963	11,997,068	139,237	17,748,268
December	5,576,656	12,076,897	146,544	17,800,097
1989				
January	5,420,375	12,206,763	157,121	17,784,259
February	5,554,163	12,435,730	158,802	18,148,695
March	5,664,798	12,618,837	157,815	18,441,450
April	5,851,485	12,810,267	158,723	18,820,475
May	5,983,266	12,976,244	163,163	19,122,673
June	6,038,793	13,025,903	166,195	19,230,891
July	5,926,177	12,969,068	173,005	19,068,250
August	6,175,206	13,102,412	231,826	19,509,444
September	6,241,462	13,469,213	175,580	19,886,255
October	6,340,748	13,636,792	178,992	20,156,532
November	6,400,812	13,610,006	201,214	20,212,032
December	6,410,374	13,558,383	204,508	20,173,265

Sales Due to Exchanges by Investment Objective 1988-1989

(millions of dollars)

Investment Objective	1988	1989
Aggressive Growth	$17,855.7	$14,530.6
Growth	8,923.8	11,372.8
Growth & Income	9,438.6	8,861.9
Precious Metals	4,261.6	4,749.0
International	1,277.3	1,433.2
Global Equity	173.9	242.4
Income-equity	1,254.6	1,339.6
Option/Income	291.8	156.2
Flexible Portfolio	233.2	252.4
Balanced	384.1	570.3
Income-mixed	771.0	878.0
Income-bond	1,451.0	1,462.9
U.S. Government Income	3,660.5	3,477.3
Ginnie Mae	1,318.9	1,098.5
Global Bond	605.0	367.4
Corporate Bond	1,649.8	1,748.1
High-yield Bond	4,364.2	3,396.1
Long-term Municipal Bond	8,670.1	8,259.0
State Municipal Bond—Long-term	3,076.6	3,359.6
Short-term Municipal Bond	6,543.9	5,518.3
State Municipal Bond—Short-term	2,563.3	2,937.8
Money Market	55,526.2	54,700.2

Redemptions Due to Exchanges by Investment Objective 1988-1989

(millions of dollars)

Investment Objective	1988	1989
Aggressive Growth	$19,403.4	$15,867.4
Growth	10,568.5	12,135.9
Growth & Income	11,939.9	9,045.1
Precious Metals	4,428.0	4,796.1
International	1,923.8	1,443.8
Global Equity	472.4	372.8
Income-equity	1,791.6	1,681.2
Option/Income	586.6	351.2
Flexible Portfolio	310.9	311.8
Balanced	722.9	773.4
Income-mixed	860.8	807.8
Income-bond	1,223.4	1,006.1
U.S. Government Income	4,498.2	3,877.1
Ginnie Mae	2,020.4	1,588.0
Global Bond	613.7	423.7
Corporate Bond	1,697.4	1,488.3
High-yield Bond	3,484.0	5,744.8
Long-term Municipal Bond	8,553.5	7,678.5
State Municipal Bond—Long-term	3,012.8	2,673.5
Short-term Municipal Bond	6,757.4	6,324.8
State Municipal Bond—Short-term	1,718.8	2,265.5
Money Market	47,711.9	51,366.5

Net Sales Due to Exchanges by Investment Objective 1988-1989

(millions of dollars)

Investment Objective	1988	1989
Aggressive Growth	$(1,547.8)	$(1,336.8)
Growth	(1,644.7)	(763.1)
Growth & Income	(2,501.3)	(183.2)
Precious Metals	(166.4)	(47.1)
International	(646.5)	(10.6)
Global Equity	(298.5)	(130.4)
Income-equity	(537.0)	(341.6)
Option/Income	(294.8)	(195.0)
Flexible Portfolio	(77.7)	(59.4)
Balanced	(338.8)	(203.1)
Income-mixed	(89.8)	70.2
Income-bond	227.6	456.8
U.S. Government Income	(837.8)	(399.8)
Ginnie Mae	(701.5)	(489.5)
Global Bond	(8.6)	(56.3)
Corporate Bond	(47.5)	259.8
High-yield Bond	880.2	(2,348.7)
Long-term Municipal Bond	116.6	580.5
State Municipal Bond—Long-term	63.8	686.1
Short-term Municipal Bond	(213.4)	(806.5)
State Municipal Bond—Short-term	844.5	672.3
Money Market	7,814.3	3,333.7

IRA Assets and Accounts by Investment Objective Yearend 1989

Investment Objective	Assets		Accounts	
	Millions of Dollars	Percent	Number (thousands)	Percent
Aggressive Growth	$10,768.6	9.6%	1,726.1	10.1%
Growth	12,147.0	10.9	1,957.1	11.4
Growth & Income	17,229.8	15.4	2,419.0	14.1
Precious Metals	947.6	0.8	261.3	1.5
International	1,464.5	1.3	316.1	1.8
Global Equity	3,101.4	2.8	461.9	2.7
Income-equity	5,685.8	5.1	863.1	5.0
Option/Income	835.6	0.7	133.7	0.8
Flexible Portfolio	1,292.2	1.2	218.8	1.3
Balanced	2,326.0	2.1	352.5	2.0
Income-mixed	2,412.2	2.1	303.9	1.8
Income-bond	1,981.4	1.8	206.7	1.2
Government	12,258.8	11.0	1,218.2	7.1
Ginnie Mae	4,996.7	4.5	595.6	3.5
Global Bond	258.4	0.2	36.5	0.2
Corporate Bond	2,351.9	2.1	249.2	1.5
High-yield Bond	6,116.6	5.5	838.7	4.9
Money Market	25,600.2	22.9	4,981.0	29.1
Total	**$111,774.7**	**100.0%**	**17,139.4**	**100.0%**

Self-employed Retirement Plan Assets and Accounts by Investment Objective Yearend 1989

Investment Objective	Assets		Accounts	
	Millions of Dollars	Percent	Number (Thousands)	Percent
Aggressive Growth	$1,145.0	8.9%	79.7	9.9%
Growth	1,755.1	13.6	74.7	9.3
Growth & Income	1,947.3	15.0	73.4	9.2
Precious Metals	91.9	0.7	8.5	1.1
International	150.4	1.2	12.3	1.5
Global Equity	192.2	1.5	8.9	1.1
Income-equity	593.4	4.6	37.3	4.7
Option/Income	33.4	0.3	2.1	0.3
Flexible Portfolio	108.7	0.8	7.6	1.0
Balanced	217.3	1.7	13.2	1.6
Income-mixed	221.5	1.7	11.9	1.5
Income-bond	225.7	1.7	8.1	1.0
Government	428.3	3.3	21.7	2.7
Ginnie Mae	311.7	2.4	19.1	2.4
Global Bond	18.4	0.1	1.7	0.2
Corporate Bond	509.8	3.9	19.9	2.5
High-yield Bond	409.5	3.2	24.2	3.0
Money Market	4,585.8	35.4	377.0	47.0
Total	**$12,945.4**	**100.0%**	**801.3**	**100.0%**

An Overview: Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

Year	Reporting Companies' Assets (millions)	Percent Assets of Total Members' Assets	Reported Institutional Accounts in Force	Reported Value of Holdings (millions)	Reported Institutional Holdings as a Percent of Total Net Assets
1970	$32,631.1	68.5%	1,071,243	$6,174.0	18.9%
1972	44,696.4	74.7	1,119,243	8,906.9	19.9
1974	26,981.4	75.4	1,440,533	7,116.1	26.4
1976	39,342.2	77.3	1,346,490	10,719.7	27.2
1978	37,043.3	82.4	1,258,996	9,590.5	25.9
1980	45,763.2	78.4	1,023,101	12,855.9	28.1
1981	48,364.0	87.6	771,585	11,405.3	23.6
1982	66,569.2	86.7	953,483	16,232.7	24.4
1983	99,911.0	88.0	1,327,304	23,314.8	23.8
1984	126,354.1	92.1	1,415,021	30,304.3	24.0
1985	231,821.7	85.0	2,066,265	52,697.9	24.6
1986	359,355.4	84.7	4,072,491	102,063.3	28.4
1987	373,834.2	82.4	4,068,402	97,091.5	21.4
1988	395,038.8	92.5	5,809,625	99,644.8	21.1
1989	461,385.7	83.3	4,011,439	106,703.4	23.1

Note: *Prior to 1981, Keogh and IRA figures are included in institutional holdings. Institutional holdings as a percent of assets of reporting companies are slightly understated prior to 1974 due to limited reporting of Keogh information. Reported institutional accounts and value of holdings for 1981 and 1982 were used to derive universe estimates shown in the following tables which present institutional data in greater detail. The 1981 figures were revised to exclude Keogh and IRA. In the 1980 figures, Keogh and IRA accounted for about 30 percent of institutional accounts and 23 percent of institutional assets.*

Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

	1985	1986	1987	1988R	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**1,331,093**	**2,535,496**	**2,448,891**	**2,230,840**	**2,696,996**
Business Corporations	119,052	168,000	166,221	138,245	131,039
Retirement Plans	1,056,969	1,300,158	1,610,626	1,643,657	1,768,002
Insurance Companies and Other Financial Institutions	25,234	50,983	73,450	62,838R	74,191
Unions	770	1,590	2,563	1,309	1,736
Total Business Organizations	**1,202,025**	**1,520,731**	**1,852,860**	**1,846,049R**	**1,974,968**
Churches and Religious Organizations	11,627	16,501	18,887	18,281	17,257
Fraternal, Welfare, and Other Public Associations	8,119	13,972	11,141	12,445	10,830
Hospitals, Sanitariums, Orphanages, Etc.	2,699	7,242	5,382	3,489	3,168
Schools and Colleges	4,891	6,474	6,742	6,332	6,407
Foundations	4,657	5,213	16,769	5,059R	3,050
Total Institutions and Foundations	**31,993**	**49,402**	**58,921**	**45,606R**	**40,712**
Other Institutional Investors Not Classified[a]	**67,330**	**209,315**	**198,053**	**371,737**	**249,815**
Total	**2,632,441**	**4,314,944**	**4,558,725**	**4,494,232R**	**4,962,491**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 82.6% of total shareholder accounts in 1986, 81.8% in 1987, 81.8% in 1988, and 83.8% in 1989. The figures shown above are universe-estimated based on those reports.*

R—Revised

Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds

	1985	1986	1987	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**752,133**	**796,988**	**1,033,504**	**943,094**	**915,497**
Business Corporations	247,864	270,265	257,300	236,934	237,898
Retirement Plans	379,406	371,839	447,349	436,304	694,518
Insurance Companies and Other Financial Institutions	20,745	25,970	23,904	25,731	34,436
Unions	953	3,843	9,057	3,218	1,955
Total Business Organizations	**648,968**	**671,917**	**737,610**	**702,187**	**968,807**
Churches and Religious Organizations	16,223	15,147	14,862	13,833	15,367
Fraternal, Welfare, and Other Public Associations	10,808	15,259	13,361	12,343	10,243
Hospitals, Sanitariums, Orphanages, etc.	4,875	4,391	5,248	2,997	3,257
Schools and Colleges	6,133	6,337	5,723	3,623	3,799
Foundations	2,531	2,961	1,694	5,023	1,977
Total Institutions and Foundations	**40,570**	**44,095**	**40,888**	**37,819**	**34,643**
Other Institutional Investors Not Classified[a]	**45,184**	**244,187**	**73,523**	**51,157**	**101,259**
Total	**1,486,855**	**1,757,187**	**1,885,525**	**1,734,257**	**2,020,206**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 53.3% of total shareholder accounts in 1986, 55.0% in 1987, 53.1% in 1988, and 63.8% in 1989.*

R—Revised. Historical data series have been revised to reflect a more accurate method of identifying multiple service accounts.

Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund

	General Purpose		Broker/Dealer		Institutional	
	1988	1989	1988	1989	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**349,500**	**413,200**	**497,763**	**361,236**	**95,831**	**141,051**
Business Corporations	97,898	110,554	131,559	121,683	7,477	5,661
Retirement Plans	306,308	294,105	126,466	393,670	3,530	6,743
Insurance Companies and Other Financial Institutions	12,738	28,313	10,036	2,255	2,957	3,868
Unions	2,214	1,197	749	458	255	300
Total Business Organizations	**419,158**	**434,169**	**268,810**	**518,066**	**14,219**	**16,572**
Churches and Religious Organizations	7,627	9,054	5,845	5,836	361	477
Fraternal, Welfare, and Other Public Associations	7,727	5,558	4,050	4,331	566	354
Hospitals, Sanitariums, Orphanages, etc.	1,082	1,586	1,582	1,304	333	367
Schools and Colleges	1,681	2,046	1,617	1,368	325	385
Foundations	1,214	1,412	1,884	66	1,925	499
Total Institutions and Foundations	**19,331**	**19,656**	**14,978**	**12,905**	**3,510**	**2,082**
Other Institutional Investors Not Classified[a]	**31,409**	**34,494**	**17,690**	**65,005**	**2,058**	**1,760**
Total	**819,398**	**901,529**	**799,241**	**957,212**	**115,618**	**161,465**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

R—Revised. Historical data series have been revised to reflect a more accurate method of identifying multiple service accounts.

Number of Accounts of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds

	1985	1986	1987	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**37,611**	**48,449**	**77,832**	**56,354**	**102,939**
Business Corporations	9,576	10,616	10,748	9,817	10,395
Retirement Plans	409	498	2,058	1,422	13,312
Insurance Companies and Other Financial Institutions	1,182	2,153	998	1,854	1,868
Unions	7	4	489	15	56
Total Business Organizations	**11,174**	**13,271**	**14,293**	**13,108**	**25,631**
Churches and Religious Organizations	13	26	28	41	35
Fraternal, Welfare, and Other Public Associations	53	99	466	231	62
Hospitals, Sanitariums, Orphanages, Etc.	388	88	42	32	34
Schools and Colleges	17	44	59	40	52
Foundations	2	4	11	28	38
Total Institutions and Foundations	**473**	**261**	**606**	**372**	**221**
Other Institutional Investors Not Classified[a]	**2,250**	**6,262**	**3,423**	**5,007**	**11,577**
Total	**51,508**	**68,243**	**96,154**	**74,841**	**140,368**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Short-term municipal bond fund reporters represented 57.9% of total shareholder accounts in 1986, 71.4% in 1987, 73.2% in 1988, and 73.4% in 1989.*

R—Revised. Historical data series have been revised to reflect a more accurate method of identifying multiple service accounts.

Assets of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

(millions of dollars)

	1985	1986	1987	1988R	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$22,657.5**	**$51,076.1**	**$51,976.4**	**$46,406.1**	**$58,422.1**
Business Corporations	10,798.8	15,675.8	12,817.6	10,627.1	11,844.1
Retirement Plans	19,050.7	26,431.6	28,974.3	31,165.6	42,052.9
Insurance Companies and Other Financial Institutions	3,513.5	14,460.1	12,099.2	18,474.1	12,289.4
Unions	72.4	202.7	352.7	147.6	517.2
Total Business Organizations	**$33,435.4**	**$56,770.2**	**$54,243.8**	**$60,414.4**	**$66,703.5**
Churches and Religious Organizations	593.8	853.6	1,320.1	801.4	1,114.8
Fraternal, Welfare, and Other Public Associations	477.3	1,186.9	974.2	940.7	911.7
Hospitals, Sanitariums, Orphanages, etc.	237.9	497.7	473.4	360.1	501.7
Schools and Colleges	376.1	705.7	922.9	658.2	764.7
Foundations	265.8	467.7	703.9	400.8R	552.7
Total Institutions and Foundations	**$1,950.9**	**$3,711.5**	**$4,394.5**	**$3,161.1R**	**$3,845.7**
Other Institutional Investors Not Classified[a]	**$3,250.3**	**$5,407.1**	**$6,467.7**	**$10,034.8**	**$9,464.7**
Total	**$61,294.1**	**$116,964.9**	**$117,082.4**	**$120,106.R**	**$138,436.0**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 84.7% of total net assets in 1986, 82.4% in 1987, 83.6% in 1988, and 83.3% in 1989. The figures shown above are universe estimated based on those reports.*

R—Revised

Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds

(millions of dollars)

	1985	1986	1987	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$52,455.8**	**$61,292.4**	**$75,238.2**	**$73,165.0**	**$109,623.8**
Business Corporations	$12,817.4	14,230.7	15,464.7	13,058.4	13,790.8
Retirement Plans	9,078.3	13,116.2	11,302.8	12,838.7	16,767.0
Insurance Companies and Other Financial Institutions	7,396.7	7,548.7	6,320.6	6,169.2	3,837.0
Unions	81.8	514.6	466.6	235.1	210.1
Total Business Organizations	**$29,374.2**	**$35,410.2**	**$33,554.7**	**$32,301.4**	**$34,604.9**
Churches and Religious Organizations	540.0	537.6	523.3	536.6	969.2
Fraternal, Welfare, and Other Public Associations	377.6	749.3	903.3	984.2	460.3
Hospitals, Sanitariums, Orphanages, etc.	444.8	369.8	495.7	314.5	322.5
Schools and Colleges	291.2	431.3	552.8	313.5	308.7
Foundations	278.9	222.7	90.8	370.3	290.9
Total Institutions and Foundations	**$1,932.5**	**$2,310.7**	**$2,565.9**	**$2,519.1**	**$2,351.7**
Other Institutional Investors Not Classified[a]	**$5,939.5**	**$4,222.5**	**$2,981.2**	**$9,040.3**	**$5,897.8**
Total	**$89,702.0**	**$103,235.8**	**$114,340.0**	**$117,025.8**	**$152,478.2**

[a] *Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 53.5% of net assets in 1986, 61.1% in 1987, 69.2% in 1988, and 61.7% in 1989. The figures shown above are universe estimated based on those reports.*

R—Revised

Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund

(millions of dollars)

	General Purpose		Broker/Dealer		Institutional	
	1988	1989	1988	1989	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$11,201.2**	**$14,525.2**	**$7,654.5**	**$20,928.1**	**$54,309.3**	**$74,170.5**
Business Corporations	4,602.1	6,475.0	4,800.1	5,491.8	3,656.3	1,824.0
Retirement Plans	8,532.6	10,465.7	3,874.3	5,166.8	431.7	1,134.4
Insurance Companies and Other Financial Institutions	3,203.6	2,007.8	496.8	382.8	2,468.7	1,446.4
Unions	102.0	56.5	52.7	57.6	80.4	96.1
Total Business Organizations	**$16,440.3**	**$19,005.0**	**$9,223.9**	**$11,099.0**	**$6,637.1**	**$4,500.9**
Churches and Religious Organizations	229.5	344.2	211.9	309.7	95.2	315.3
Fraternal, Welfare, and Other Public Associations	415.1	178.6	220.0	185.2	349.1	96.6
Hospitals, Sanitariums, Orphanages, etc.	79.0	99.7	96.6	116.3	138.8	106.5
Schools and Colleges	109.4	116.5	89.0	80.4	115.1	111.8
Foundations	52.9	138.5	131.0	17.3	186.4	135.1
Total Institutions and Foundations	**$885.9**	**$877.5**	**$748.5**	**$708.9**	**$884.6**	**$765.3**
Other Institutional Investors Not Classified[a]	**$1,373.1**	**$1,932.3**	**$1,499.8**	**$3,428.0**	**$6,167.5**	**$537.5**
Total	**$29,900.5**	**$36,340.0**	**$19,126.7**	**$36,163.9**	**$67,998.6**	**$79,974.2**

[a] *Includes institutional assets which do not fall under other classifications and those for which no determination of classification can be made.*

R—Revised

Assets of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds

(millions of dollars)

	1985	1986	1987	1988	1989
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$12,519.4**	**$25,549.5**	**$20,989.1**	**$18,303.7**	**$18,421.9**
Business Corporations	1,702.8	3,891.3	3,480.3	2,590.5	2,432.8
Retirement Plans	8.0	127.2	91.6	115.4	773.5
Insurance Companies and Other Financial Institutions	1,576.8	2,465.6	592.4	794.1	424.8
Unions	0.2	25.5	198.1	20.0	3.3
Total Business Organizations	**$3,287.8**	**$6,509.6**	**$4,362.4**	**$3,520.0**	**$3,634.4**
Churches and Religious Organizations	0.7	12.7	1.8	19.9	7.4
Fraternal, Welfare, and Other Public Associations	2.3	14.3	58.4	54.9	2.7
Hospitals, Sanitariums, Orphanages, etc.	1.1	2.9	2.1	24.8	9.2
Schools and Colleges	5.2	2.7	12.0	52.0	10.9
Foundations	0.0	0.1	0.1	32.2	3.8
Total Institutions and Foundations	**$9.3**	**$32.7**	**$74.4**	**$183.8**	**$34.0**
Other Institutional Investors Not Classified[a]	**$727.6**	**$572.6**	**$643.0**	**$2,808.7**	**$920.1**
Total	**$16,544.1**	**$32,664.4**	**$26,068.9**	**$24,816.2**	**$23,010.4**

[a] *Includes institutional total net assets which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Short-term municipal bond fund reporters represented 61.5% of total net assets in 1986, 69.4% in 1987, 58.5% in 1988, 63.3% in 1989.*

R—Revised

Assets of Major Institutions and Financial Intermediaries

(millions of dollars)

	1983	1984	1985	1986	1987	1988	1989
Depository Institutions							
Commercial Banks	$2,093,800	$2,264,800	$2,483,800	$2,597,700	$2,721,400	$3,047,900R	$3,238,600
Credit Unions[a]	81,961	93,036	118,010	147,726	183,600	174,593R	181,527[b]
Mutual Savings Banks	193,535	203,898	216,776	210,562R	284,270R	425,983R	502,589[b]
Savings & Loan Associations	838,386[d]	1,002,047[d]	1,080,649[d]	1,163,851	1,250,855	1,350,500R	1,289,468[c]
Life Insurance	**$654,948**	**$722,979**	**$825,901**	**$937,551**	**$1,044,459**	**$1,157,140R**	**$1,266,773[b]**
Investment Institutions							
Bank Administered Trusts[e]	$762,800	$801,661	$945,448	$1,065,324	$1,085,078	$1,156,782R	N/A
Closed-end Investment Companies	N/A	6,087.7R	7,655.3R	13,050.9R	21,547.3R	43,355.7R	53,656
Mutual Funds[f]	292,985	370,680	495,498	716,308	769,900	810,300	981,964

[a]Includes only federal or federally insured state credit unions serving natural persons.
[b]As of October 1989
[c]As of September 1989
[d]Includes FSLIC-insured institutions.
[e]Reflects only discretionary trusts and agencies.
[f]Includes Short-term Funds.

N/A—Not available

R—Revised

Index

Accounts
(See Shareholder Accounts)

Adviser 16, 71

Aggressive Growth Funds
General Description 17
Sales 45

Asked or Offering Price 71

Assets
(Also see Bond and Income Funds, Equity Funds, Money Market Funds, and Short-term Municipal Bond Funds)
Chapter: 1989: Expanding the Asset Base 2-7
Chapter: Recent Trends in Activity: Stock, Bond, and Income Funds 43-46
Chapter: Recent Trends in Activity: Money Market and Short-term Municipal Bond Funds 47-50
Chart: Assets of Equity and Bond & Income Funds 46
Chart: Assets of Mutual Funds 23
Chart: Assets of Open-end Investment Companies 62
Chart: Change in Assets and Net New Sales of Long-term Mutual Funds 6
Chart: Distribution of Mutual Fund Assets 13
Chart: Growth in Mutual Funds as a Percent of Household Financial Assets 8
Chart: Institutional Assets by Type of Institution 59
Chart: IRA Assets by Type of Fund 51
Chart: Money Market Fund Assets and Shareholder Accounts 49
Chart: Mutual Fund Total Net Assets 6
Chart: Percent Distribution of Total Net Assets by Type of Fund 21
Chart: Short-term Municipal Bond Fund Assets and Shareholder Accounts 49
Chart: Total Deposits and Assets of Largest Financial Intermediaries 9
Chart: Total Institutional Assets in Mutual Funds 58
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54
Chart: Total Net Assets of Short-term Funds 4
General Overview 5
Growth and Development 9-12, 19-27
Non U.S. Mutual Funds 60
Of European Community Mutual Funds 61
Table: Distribution of Mutual Fund Assets in Equity, Bond, and Income Funds 85
Table: Distribution of Household Financial Assets 64
Table: Liquid Assets of Equity, Bond, and Income Funds by Fund Characteristics 83

Table: Money Market Fund Asset Composition 32
Table: Mutual Fund Assets Classified by Investment Objective 44
Table: Shareholder Accounts, Total Net Assets, and Liquid Assets of Equity, Bond, and Income Funds 80
Table: Sales, Redemptions, and Assets 24
Table: Total Industry Net Assets 78
Table: Total Net Assets of Equity, Bond, and Income Funds by Fund Characteristics 82
Table: Total Net Assets by Investment Objective Within Method of Sales 84
Total Assets of Mutual Funds 8, 12

Automatic Reinvestment
General Description 28
Definition 71

Automatic Withdrawal 28

Back-end Load 40

Balanced Funds
General Description 17

Bid or Redemption Price 71

Bond and Income Funds
Assets 21-22
Chapter: Recent Trends in Activity: Stock, Bond, and Income Funds 43-46
Chart: Assets of Equity and Bond & Income Funds 46
Chart: Equity, Bond, and Income Fund Sales by Selected States 39
Chart: Net Sales of Equity, Bond & Income, and Short-term Funds 11
Chart: Sales and Redemptions 45
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds .. 54
Returns 2
Sales 43-46
Table: Portfolio Composition of Equity, Bond, and Income Funds 31
Table: Share of Bond and Income Funds, Sales and Redemptions Annually 43

Bond Prices
Chart 3
Discussion 7

Broker/Dealer (or Dealer) 37, 39, 71

Canada 60

Capital Gains Distributions
Definition 71
General Description 15
Table: Capital Gains and Dividends Distributions to Shareholders 34
Table: Equity, Bond, and Income Funds' Distributions to Shareholders 90

Capital Growth 71

Captive (or Dedicated) Sales Force
(See Distribution)

Captive Sales Representative 37

Check-writing Privilege 28

Closed-end Investment Company 71

Commission
(See Sales Charge)

Consumer Price Index
Chart: Annualized Growth Rate, GNP vs. CPI 2

Contingent Deferred Sales Charge 39, 71

Contractual Plan
Definition 71
Table: Redemptions of Equity, Bond, and Income Funds by Fund Characteristics 92
Table: Sales of Equity, Bond, and Income Funds by Fund Characteristics 87
Table: Type of Shareholder Accounts, Equity, Bond, and Income Funds 81

Corporate Bond Funds 17

Custodian 16, 72

Data
Description 1

Direct Marketing
(See Distribution)

Disclosure 41, 60

Distribution
(Also see under Shareholder, Mutual Funds)
Broker/Dealer 16, 37, 39, 71
Captive (or Dedicated) Sales Force 37, 39, 71
Channels 68
Chapter: How Mutual Fund Shares Are Acquired by Investors 37-40
Chapter: Mutual Fund Ownership 64-67
Chart: Age Distribution of Fund Owning Households 65
Chart: Distribution of Household Financial Assets 64
Chart: Income Distribution of Fund Owning Households 66
Chart: More U.S. Households Own Mutual Funds 65
Chart: Sales of Sales Force and Direct Marketing Funds by Investment Objective 38
Direct Marketing 16, 37, 40, 72
Sales Force 16, 37, 40, 73
Table: Profile of 1989 Fund Owner 67

Diversification
Definition 72
General Description 32

Table: Diversification of Portfolios by Stock Holdings (dollars) 35
Table: Diversification of Portfolios by Stock Holdings (percent) 36

Dividends
Dividend Reinvestment 15, 28, 39
General Description 15
Table: Capital Gains and Dividends, Distributions to Shareholders, All Types of Mutual Funds 34
Table: Dividends and Reinvestment, All Types of Mutual Funds 34
Table: Equity, Bond, and Income Funds' Distributions to Shareholders 90
Table: Sales and Reinvested Dividends by Fund Characteristics 89

Dollar-cost Averaging 72

EC
(See European Community)

Equity Funds
(Also see under Assets and Sales)
Assets 2, 7, 9-12, 21, 22
Chapter: Recent Trends in Activity: Stock, Bond, and Income Funds 43-46
Chart: Assets of Equity and Bond & Income Funds 46
Chart: Equity, Bond, and Income Fund Sales by Selected States 39
Chart: Net Sales of Equity, Bond & Income, and Short-term Funds 11
Chart: Sales and Redemptions 45
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54
Growth 2, 8, 11, 12, 43-46
Table: Portfolio Composition of Equity, Bond, and Income Funds 31
Table: Share of Equity Funds, Sales and Redemptions Annually 43

European Community 61-63

Exchange Privilege 30, 72

Exchanges
Chart: Net Exchanges by Investment Objective 25
Chart: Sales Exchanges for All Types of Mutual Funds 26
Table: Net Sales Due to Exchanges by Investment Objective 110
Table: Redemptions Due to Exchanges by Investment Objective 109
Table: Sales Due to Exchanges by Investment Objective 108
Use of 7, 26, 27, 30

Fees 16, 39, 40
(Also see Sales Charge)

Financial Planner 16, 37, 39

Flexible Portfolio
General Description 17

France 61

Front-end Load
(See Sales Charge)

Fund Organization
Chapter: What Is a Mutual Fund? 14-18
Investment Adviser 16
Management Company 16
Underwriter, Distributor 16

Geographical Breakdown
Chart: Equity, Bond, and Income Fund Sales by Selected States 39
Sales 40
Table: Sales of Equity, Bond, and Income Fund Shares by State (Dollars) 94
Table: Sales of Equity, Bond, and Income Fund Shares by State (Percent) 96

Ginnie Mae (GNMA) Funds
General Description 17
History 20
Sales 12, 45

Global Bond Funds
General Description 17
Sales 45

Global Equity Funds
General Description 17

Glossary 71

Government Income Funds
General Description 18
History 20
Sales 12, 45

Gross National Product
Chart: Annualized Growth Rate, GNP vs. CPI 2

Growth and Income Funds
General Description 18
Sales 45

Growth Funds
General Description 17
Sales 45

High-yield Bond Funds
General Description 18

History
Chapter: Historical Background 19-20
Chapter: A Decade of Aggressive Growth 8-13

Income Dividends 72

Income Funds
General Description 18

Individual Retirement Accounts (IRAs)
Accounts 66
Assets 52
Chart: Growth in Mutual Fund IRA Plans (Accounts & Assets) 55
Chart: IRA Assets by Type of Fund 51
General Description 10
Ownership of 66
Table: Estimated Value of IRA Plans 52
Table: IRA Assets and Accounts by Investment Objective 111
Table: Mutual Fund IRAs by Investment Objective 53

Industry Totals
Assets 7
Chart: Percent Distribution of Total Net Assets 21
Chart: Sales Exchanges, All Types of Mutual Funds 26
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54
Table: Net Assets 78
Table: Number of Funds 79
Table: Shareholder Accounts 79
Use of term 1

Initial Load
(See Sales Charge)

Inflation 2, 4, 7, 22, 31, 64

Institutional Activity
Accounts 59
Assets 58-59
Chapter: Institutional Markets 58-59
Chart: Institutional Assets by Type of Institution 59
Chart: Total Institutional Assets in Mutual Funds 58
Fiduciary Market 59
Market Share 58
Table: An Overview of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 113
Table: Assets of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 118
Table: Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds 119
Table: Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 120
Table: Assets of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds 121
Table: Assets of Major Institutions and Financial Intermediaries 122
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 114
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds 115

Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Funds....116
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds....117

Insurance Agent....16

Interest Rates
Chart....3
Discussion....4, 7, 9, 22, 31, 64

Internal Revenue Code....15, 32

International Funds
Chapter: Mutual Funds: A Global Perspective....60-63
Chart: Assets of Open-end Investment Companies....62
General Description....18

Investment Adviser
(See Adviser)

Investment Advisers Act of 1940....41

Investment Company....72

Investment Company Act of 1940....17, 19, 32, 41

Investment Company Institute....14, 19, 62, 68

Investment Objective
Chart: Net Exchanges by Investment Objective....25
Chart: Number of Mutual Funds Classified by Investment Objective....29
Chart: Sales of Sales Force & Direct Marketing Funds by Investment Objective....38
Definitions....18, 19, 72
General Discussion....14
New Categories....28
Table: IRA Assets and Accounts by Investment Objective....111
Table: Mutual Fund Assets Classified by Investment Objective....84
Table: Mutual Fund Sales Classified by Investment Objective....88
Table: Sales of Mutual Funds by Investment Objective Within Method of Sales....88
Table: Redemptions of Mutual Funds by Investment Objective Within Method of Sales....93
Table: Sales Due to Exchanges by Investment Objective....108
Table: Redemptions Due to Exchanges by Investment Objective....109
Table: Net Sales Due to Exchanges by Investment Objective....11
Table: Total Net Assets of Mutual Funds by Investment Objective Within Method of Sales....84

Ireland....61

Italy....61

Japan....60

Keoghs
(See Self-employed Retirement Plans)

Load
(See Sales Charge)

Long-term Funds
(Also see under Assets, Equity, Bond & Income Funds, Institutional, Redemptions, & Sales)
Assets of Stock, Bond, and Income Funds 2, 7, 10-12, 21-22
Chapter: Recent Trends in Activity: Stock, Bond, anad Income Funds 43-46
Chart: Change in Assets and Net New Sales of Long-term Mutual Funds 6
Chart: Mutual Fund Sales 5
Chart: Mutual Fund Total Net Assets 6
Definition 72
Institutional Assets 50
Sales of Stock, Bond, and Income Funds 7, 26, 43, 45
Table: Assets of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 118
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 114
Table: Portfolio Composition of Equity, Bond, and Income Funds 31
Tables 80-101
Use of Term 1

Luxembourg 61

Management Company 16, 39

Management Fee 72

Marketing
See Chapter: Marketing to the Needs of Shareholders 68-70

Minimum Investment
General Description 28

Money Manager
(See Portfolio Manager)

Money Market Deposit Accounts
Chart: Weekly Yields on Money Market Funds and Money Market Deposit Accounts 48
General 9

Money Market Funds
(Also see Short-term Funds)
Accounts 50
Assets 5, 9-10, 21-22, 47
Chapter: Recent Trends: Money Market and Short-term Municipal Bond Funds 47-50
Chart: Money Market Fund Assets and Shareholder Accounts 49
Chart: Money Market Mutual Funds, Average Annual Yield 33
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54
Chart: Weekly Yield on Money Market Funds and Money Market Deposit Accounts 48

Effects on Money Market Deposit Accounts 47
General Description 18
Growth and Development 26, 47-50
History 9, 20
Institutional Assets 58-59, 115, 116, 119, 120
Sales 47
Table: An Overview of Money Market Funds 103
Table: Money Market Fund Asset Composition 32
Table: Money Market Fund Asset Composition Over the Past 7 Years 106
Table: Money Market Fund Monthly Assets by Type of Fund 105
Table: Money Market Fund Shareholder Accounts by Type of Fund 107
Types of 50
Use of 47-50
Yields 33, 47

Municipal Bond Funds
(Also see State Municipal Bond Funds; Short-term Funds)
Assets 5, 10, 21
Chapter: Recent Trends: Money Market and Short-term Municipal Bond Funds 47-50
Chart: Short-term Municipal Bond Fund Assets and Accounts 49
General Description 18
Growth and Development 10, 26
History 20
Table: An Overview: Short-term Municipal Bond Funds 104

Mutual Fund Categories
(See Investment Objectives)

Mutual Funds
Chapter: What Is a Mutual Fund? 14-18
Data 75-122
Definition 72
Distribution 37-40
Growth and Development 8-13, 21-27
History 19-20
Non U.S. 60-63
Ownership, see Chapter: Mutual Fund Ownership 64-67
Regulation and Taxation 41-42
Table: Mutual Funds Net New Money Flow Related to Net New Money Flow from Individuals to Savings and Investment Vehicles 7

National Association of Investment Companies 19

National Association of Securities Dealers, Inc. (NASD) 37, 41, 73

National Committee of Investment Companies 19

Net Asset Value (NAV) per Share
Definition 73
General Description 15

Net Sales
General 7
Table: Sales, Redemptions, and Net Sales of Equity, Bond, and Income Funds 86

Number of Funds
Chart: Number of Funds Classified by Investment Objective 29
Chart: Number of Mutual Funds 22
Discussion 22
Table: Total Number of Funds 79

October 19, 1987 ..... 12, 26, 27, 43

Ownership
(See Distribution)
Chapter: Mutual Fund Ownership
Chart: Age Distribution of Fund Owning Households 54
Chart: Income Distribution of Fund Owning Households 66
Chart: More U.S. Households Own Mutual Funds 65

Open-end Investment Company 73
Table: Assets of Open-end Investment Companies 62

Option/Income Funds
General Description 18
History 12, 20

Over-the-Counter Market 73

Pacific Rim 60

Payroll Deduction Plan
Definition 73
General Description 28

Pension Plans
(See Retirement Market)

Performance
Chart: Comparative Equity Performance, Annualized Ten-year Total Return 57
Chart: Money Market Funds Average Annual Yield 33
Chart: Mutual Fund Investment Performance 33
Chart: Weekly Yield on MMFS and MMDAs 48
Discussion 5, 10, 11
Table: Equity, Bond, and Income Funds' Distributions to Shareholders 90

Periodic Payment Plan
(See Contractual Plan)

Phantom Income 42

Portfolio Manager 14, 31-33, 72, 73

Portfolios
Diversification 32
Security Selection 32

Table: Diversification of Mutual Fund Portfolios, Common Stock Holdings
by Industry (dollars) 35
Table: Diversification of Mutual Fund Portfolios, Percent of Common Stock Holdings
by Industry (percent) 36
Table: Money Market Fund Asset Composition 32
Table: Portfolio Composition of Equity, Bond, and Income Funds 31
Table: Portfolio Purchases and Sales by Fund Characteristics 101
Tables: Total Purchases, Total Sales, Net Purchases of
Common Stock 99
Portfolio Securities 98
Securities Other Than Common Stocks 100

Precious Metals Funds
General Description 18

Professional Management
Chapter: Professional Management 31-36
General Description 31
Research of Professional Managers 31
Security Selection 32-33

Prospectus 14, 40, 41, 73

Recordkeeping 16, 30, 51, 53

Redemption Fee 40, 73

Redemptions
Chart: Sales and Redemptions, Bond and Income Funds 45
Chart: Sales and Redemptions, Equity Funds 45
Redemption Price 73
Table: Annual Redemption Rate for Equity, Bond, and Income Funds 91
Table: Redemptions of Equity, Bond, and Income Funds by Fund Characteristics 92
Table: Redemptions of Mutual Funds by Investment Objective Within Method of Sales 93
Table: Sales, Redemptions, and Assets of Equity, Bond, and Income Funds,
Money Market Mutual Funds, and Short-term Municipal Bond Funds 24
Table: An Overview: Sales, Redemptions, and Net Sales of Equity, Bond, and
Income Funds 86
Table: Share of Equity Funds, Sales and Redemptions Annually 43
Table: Share of Bond and Income Funds, Sales and Redemptions Annually 43

Regulation
Chapter: Regulation and Taxation 41-42
Federal Statutes 41-42
Investment Advisers Act of 1940 41
Investment Company Act of 1940 ..... 17, 19, 32, 41
Regulation Q 9
Securities Act of 1933 41
Securities Exchange Act of 1934 41

Reinvestment
Privilege 15, 28, 39, 73
Table: Capital Gains and Dividends Distributions to Shareholders, All Types of Mutual Funds 34
Table: Dividends and Reinvestment, All Types of Mutual Funds 34
Sales and Reinvested Dividends by Fund Characteristics 89

Retirement Market
(Also see IRAs and Self-employed Retirement Plans)
Chapter: The Retirement Market 51-57
Chart: Growth in Mutual Fund IRA Plans 55
Chart: IRA Assets by Type of Fund
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54
Corporate Plans 57
General Description 56, 58
IRAs 10, 51, 56
Section 401(k) Plans 56
Section 403(b) Plans 56
Simplified Employee Pension Plans (SEPs) 53, 56-58
Table: IRA Assets and Accounts by Investment Objective 111
Table: Self-employed Retirement Plan Assets and Accounts by Investment Objective 112

Return
Chart: Fund Owners' Attitudes Toward Risk and Return 10

Risk
Chart: Fund Owners' Attitudes Toward Risk and Return 10

Sales
Chart: Change in Assets and Net New Sales of Long-term Mutual Funds 6
Chart: Equity, Bond, and Income Fund Sales by Selected States 39
Chart: Mutual Fund Sales 5
Chart: Net Sales of Equity, Bond & Income, and Short-term Funds 11
Chart: Sales and Redemptions, Bond and Income Funds 45
Chart: Sales and Redemptions, Equity Funds 45
Chart: Sales Exchanges, All Types of Mutual Funds 26
Chart: Sales of Sales Force & Direct Marketing Funds by Investment Objective 38
Discussion 7, 10, 26, 43-45, 47
Table: Mutual Fund Sales Classified by Investment Objective 44
Table: Sales and Reinvested Dividends by Fund Characteristics 89
Table: Sales of Equity, Bond, and Income Fund Shares by State (Dollars) 94
Table: Sales of Equity, Bond, and Income Fund Shares by State (Percent) 96
Table: Sales of Equity, Bond, and Income Funds by Fund Characteristics 87
Table: Sales of Mutual Funds by Investment Objective Within Method of Sales 88
Table: Sales, Redemptions, and Assets of Equity, Bond and Income, Money Market, and Short-term Municipal Bond Funds 24
Table: An Overview: Sales, Redemptions and Net Sales of Equity, Bond, and Income Funds 86
Table: Share of Equity Funds, Sales and Redemptions Annually 43
Table: Share of Bond and Income Funds, Sales and Redemptions Annually 43

Sales Charge 16, 17, 72, 73

Sales Commission
(See Sales Charge)

Sales Force
(See Distribution)

Securities Act of 1933 41

Securities and Exchange Commission (SEC) 16, 17, 19, 30, 39, 74

Securities Exchange Act of 1934 41

Self-employed Retirement Plans
Chart: Growth in Mutual Fund Self-employed Retirement Plans (Assets and Accounts) 55
Chart: Self-employed Retirement Plan Assets by Type of Fund 54
General Description 53, 56-57
Keoghs 54, 56
Table: Self-employed Retirement Plan Assets and Accounts by Investment Objective 112

Service
Chapter: Responding to Investor Needs 28-30
Chapter: Marketing to the Needs of Shareholders 68-70
Discussion 28, 30
Table: Basic Needs of Shareholders Which Impact Their Choice of Point of Purchase 68

Shareholders
(See also Distribution)
Chapter: Marketing to the Needs of Shareholders 68-70
Chapter: Mutual Fund Ownership 64-67
Chapter: Responding to Investor Needs 28-30
Chart: Seven Basic Groups of Mutual Fund Buyers 69
Table: Basic Needs of Shareholders Which Impact Their Choice of Point of Purchase 68
Table: Needs Segments Are Attractive Target Markets for Funds 70

Shareholder Accounts
Chapter: Mutual Fund Ownership 64-67
Chart: Growth of Accounts in All Fund Types 13
Chart: Money Market Fund Assets and Shareholder Accounts 49
Chart: Mutual Fund Shareholder Accounts 23
Chart: Short-term Municipal Bond Fund Assets and Shareholder Accounts 49
Growth in Accounts 12, 19, 50
Table: An Overview: Money Market Funds 103
Table: An Overview: Shareholder Accounts, Total Net Assets, and Liquid Assets, Equity, Bond, and Income Funds 80
Table: An Overview: Short-term Municipal Bond Funds 104
Table: IRA Assets and Accounts by Investment Objective 111
Table: Money Market Fund Shareholder Accounts by Type of Fund 107
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds 114

Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds 115
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 116
Table: Number of Accounts of Fiduciary, Business, and Institutional Investments in Short-term Municipal Bond Funds 117
Table: Total Shareholder Accounts 79
Table: Total Short-term Funds 102
Table: Type of Accounts in Equity, Bond, and Income Funds 81

Short-term Funds

(Also see under Assets, Institutional Funds, Money Market Funds, Redemptions, Sales, and Short-term Municipal Bond Funds)
Assets 5, 21-22
Chapter: Recent Trends in Activity, Money Market and Short-term Municipal Bond Funds 47-50
Chart: Total Net Assets of Short-term Funds 4
Definition 74
Chart: Net Sales of Equity, Bond & Income, and Short-term Funds 11
Sales 26
Table: An Overview: Money Market Funds 103
Table: Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds 119
Table: Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 120
Table: Assets of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds 121
Table: Short-term Municipal Bond Funds 104
Table: Money Market Fund Asset Composition 106
Table: Money Market Fund Monthly Assets 105
Table: Money Market Fund Shareholder Accounts by Type of Fund 107
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds 115
Table: Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund 116
Table: Number of Accounts of Fiduciary, Business, and Institutional Investments in Short-term Municipal Bond Funds 117
Table: Self-employed Retirement Plan Assets and Accounts by Investment Objective 112
Table: Total Short-term Funds 102
Use of Term 1

Short-term Municipal Bond Funds

Accounts 50
Assets 5, 21-22, 50
Chapter: Recent Trends in Activity: Money Market and Short-term Municipal Bond Funds 47-50
Chart: Short-term Municipal Bond Fund Assets and Accounts 49
Chart: Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds 54

General Description 18
Table: An Overview: Short-term Municipal Bond Funds 104

Single-state Funds 74

Statements
Regular Reports from the Fund 30

State Municipal Bond Funds—Long-term
General Description 18

State Municipal Bond Funds—Short-term
General Description 18

Stock Funds
(See Equity Funds)

Stock Market Break, October 19, 1987 ..... 12, 26, 27, 43

Stock Prices
Chart: Stock and Bond Prices 3
Discussion 4, 7, 9, 11

Subchapter M 41

Taxation
Chapter: Regulation and Taxation 41-42
Conduit Theory 41
European Community 61
Subchapter M 41

Tax-exempt Money Market Funds 74

Tax Reform Act of 1986 ..... 16, 20, 42, 50, 52, 53, 56

Total return 2
(Also see Performance)

Transfer Agent 16, 74

Trends
Chapter: Recent Trends in Activity: Money Market and Short-term Municipal Bond Funds 47-50
Chapter: Recent Trends in Activity: Stock, Bond, and Income Funds 43-46

12b-1 Fee 16, 17, 39, 74

Types of Funds
(See Investment Objectives)

Undertakings for Collective Investment in Transferable Securities 61

Underwriter 16, 37, 40, 74

United Kingdom 62

Unit Investment Trust 74

U.S. Economy
Discussion 2, 4, 9-12
Variable Annuity 74
Voice-response Systems 30
West Germany 61
Withdrawal Plan 51, 74
Yield
(See Performance)

More Information on Mutual Funds

Single copies of brochures ordered by businesses and the general public, as well as multiple copies ordered by schools, clubs, and libraries are free. Please use the order form on the back of this page to request brochures, the Guide, or additional copies of the Fact Book. For information on volume quantities or imprinting brochures, please call the Institute at 202/955-3534.

What Is a Mutual Fund? 8 FUNDamentals

This concise, illustrated leaflet opens out to reveal all eight key features of a mutual fund investment. Includes a table showing how to read mutual fund share quotes and a chart illustrating the risk/return tradeoff.

25 cents each

A Translation: Turning Investment-ese into Investment Ease

This brochure acts as interpreter for the investor who is trying to penetrate the jargon of the financial world. A step-by-step explanation of the advantages of mutual funds helps the reader determine investment priorities and how to attain them.

20 pages *30 cents each*

Discipline. It Can't Really Be Good for You, Can It?

Dollar-cost averaging, the strategy of buying more when the price of mutual fund shares is low and buying less when the price is high, is explained in this colorful leaflet. Shows how dollar-cost averaging works when the market fluctuates, declines, and rises.

15 cents each

Planning for College? The Mutual Fund Advantage Becomes a Parent

The value of a college education is well-known. This brochure offers practical insights to those preparing to meet the rising costs of a college education...and outlines the major advantages of mutual funds in meeting those costs. Information on the latest tax rules for minors is included.

12 pages *25 cents each*

Money Market Mutual Funds—A Part of Every Financial Plan

In easy-to-understand language, this brochure explores money market funds—an investment that changed the way Americans handle their money. Explains why millions of Americans looking for safety, liquidity, and yield turn to money market funds.

12 pages *25 cents each*

An Investor's Guide to Reading the Mutual Fund Prospectus

Finally, a brochure that deciphers the legalese of mutual fund prospectuses. This colorfully illustrated brochure takes you on a guided tour of the 17 most important items you're likely to find in prospectuses. Using sample language from actual prospectuses, the brochure describes how each item affects you, what to look for, and why.

28 pages *40 cents each*

Mutual Fund Fact Book

Annually updated facts and figures on the U.S. mutual fund industry, including trends in sales, assets, and performance. Outlines history and growth of the fund industry, its policies, operations, regulation, services, and shareholders.

140 pages *$9.95 each*

Guide to Mutual Funds (includes directory of funds)

In addition to fund names, addresses, and telephone numbers (many toll-free), the guide lists each fund's assets, initial and subsequent investment requirements, fees charged, where to buy shares, and other pertinent details. An introductory text serves as a "short course" in mutual fund investing.

190 pages *$5.00 each*

Speaker Referral Service

The Institute can help you find a leading mutual fund executive to address your group, class, or meeting. In a generic, educational presentation, your group can learn the basics of mutual fund investing, the types and benefits of funds, the factors to consider when selecting a fund, and more. Speakers are available in most areas of the country. Call Stephanie Brown at 202/955-3536 for more information.

No charge

The Institute also offers a variety of films, videos, and slides on mutual funds. Call 202/955-3534 or check the box below for more information.

Order Form

Brochures and Publications

All prices include shipping and handling. (Postage will be billed for overseas shipments exceeding 4 lbs.) Payment must accompany all orders. **Please make checks payable to Investment Company Institute.** *All checks must be drawn on United States banks. No foreign checks will be accepted. Please allow three weeks for delivery.*

Investment Company Institute also accepts credit card orders (see below), although we request that you send a check for orders under $10. Thank you.

	Unit Cost	Quantity	Total
What Is a Mutual Fund? 8 FUNDamentals	$ .25		
A Translation: Turning Investment-ese into Investment Ease	.30		
Discipline. It Can't Really Be Good for You, Can It?	.15		
Planning for College? The Mutual Fund Advantage Becomes a Parent	.25		
Money Market Mutual Funds— A Part of Every Financial Plan	.25		
An Investor's Guide to Reading the Mutual Fund Prospectus	.40		
Mutual Fund Fact Book	9.95		
Guide to Mutual Funds	5.00		
Total Cost			

☐ *Yes! I would like more information about mutual funds. Please send me the publications catalog.*

Please print clearly and return the order form and a check to: Michelle Worthy, Investment Company Institute, 1600 M Street, NW, Suite 600, Washington, DC 20036.

Name

Title

Company

*Address

City State Zip

Telephone (required for credit card orders)

Credit card name (Visa or Mastercard)

Cardnumber Expiration date

Signature

**Volume quantities will be shipped by UPS. Please do not use a post office box number or rural route address for volume quantities; UPS will not deliver to these addresses.*

Investment Company Institute
1600 M Street, NW, Suite 600
Washington, DC 20036
202/293-7700